

# FINANCIAL TIMES

Start the week with...



**Glaxo Wellcome**  
Implementing a mega-merger

Page 10



**Internet horrors**  
Crime, porn, privacy invasion

Page 13



**Today's surveys**  
Pakistan  
Asian telecoms

Separate sections

World Business Newspaper

TUESDAY APRIL 9 1996

## US chemicals group to invest \$1.5bn in bid to boost sales

Huntsman, the privately-owned US chemicals company, plans to invest up to \$800m in the UK as part of a \$1.5bn worldwide investment programme intended to double its output by the end of the decade. Roughly half the UK investment will be spent on Huntsman's biggest British plant, at Carington in northern England, which makes polystyrene. The company aims to double its global output of polystyrene to 1.17m tonnes by the end of 1998. Huntsman is the second-largest producer of the plastic in the US. Page 6

**Viacom joins Kirch in five-year alliance**  
Viacom, the US entertainment giant, and Kirch-Gruppe, the German media group, have formed a five-year strategic alliance aimed at giving Viacom a foothold in Germany and strengthening Kirch's grip on the distribution rights of US-produced films and television shows. Page 21

**Sinn Féin may take part in poll**  
Sinn Féin, the political wing of the Irish Republican Army, signalled that it might contest next month's elections to a peace forum, raising hopes that proposed all-party talks on the future of Northern Ireland would go ahead in June. Page 18

**Bildt delays decision on Serbs**  
Carl Bildt, who is responsible for implementing the civilian side of the Dayton accord on Bosnia, has given the go-ahead to an international donors' conference for reconstruction in the war-torn republic but said he would decide tomorrow whether the Bosnian Serbs would be invited. Page 2

**UK minister appeals to Japan on imports**  
UK trade and industry secretary Ian Lang urged Tokyo to deregulate its import markets as he left London with more than 100 senior executives on Britain's largest trade mission to Japan. Page 6; Japan's central bank listens, Page 4

**Verdict boosts case against Andreotti**  
The use of Mafia members co-operating with Italian justice under witness protection programmes has been vindicated in a test case trial in Palermo. The outcome may have important consequences for the trial of former prime minister Giulio Andreotti, accused of having links with the Mafia. Page 2

**Volvø, the Swedish cars and trucks group, remains committed to its \$500m US investment programme in spite of a 98 per cent drop in North American truck sales in the first quarter. Page 19**

**Industrial conflict in west at 50-year low**  
Industrial conflict in the western industrialised world has fallen to its lowest level for more than 50 years, according to the latest international statistics on strike activity. Page 3

**Digital phone use surges**  
A sharp decline in the price of digital cellular mobile phones and improvements in coverage have helped lift the number of cellular subscribers in western Europe by more than 60 per cent to almost 22m. Page 19

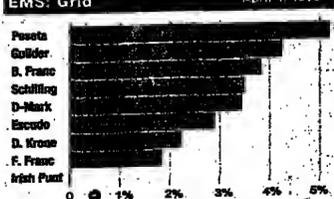
**Mercury suitors line up to be counted**  
The list of potential buyers for Mercury Communications in the UK, chief domestic rival to British Telecommunications, is lengthening as negotiations which could lead to a merger between BT and Cable and Wireless intensify. Page 19; Lex, Page 18

**Restekil, the UK industrial services group, said it had not made a decision about whether to raise its hostile takeover £1.5bn (\$3.5bn) bid for rival BSE. Page 20**

**Chrysler has agreed to sell its defence electronics and airborne systems businesses to Raytheon for \$475m. Page 21**

**European Monetary System**  
In the quiet run-up to the Easter weekend, there was no change to the order of currencies in the EMS grid. There was also very little change in the spread between the strongest and weakest. After a cut in interest rates the peseta dipped below Ptas94 against the D-Mark for the first time since December 1994. The French franc is also at a two year high against the D-Mark. Martin Wolf, Page 16; Currencies, Page 27

EMS: Grid April 4, 1996



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Table with columns for Stock Market Indices, Sterling, Dollar, Lunctime Rates, and Gold. Includes data for Tokyo Nikkei, Dow Jones, etc.

Table with columns for various international markets including Athens, Osaka, Seoul, etc. with their respective indices.

## Strong job figures revive worries that inflationary pressures could erode bond values

# Wall Street tumbles on rate fears

By Lisa Branstetter in New York

Rising long-term interest rates sent US share prices sharply lower in early trading yesterday on the heels of Friday's surprisingly strong figures for March employment growth.

The creation of 140,000 non-farm jobs in March followed a 624,000 jump in February, worrying investors that the Federal Reserve's efforts to spark economic growth by lowering interest rates were over - at least in the short term.

Those figures revived fears that inflationary pressures could emerge and erode the value of longer-term bonds.

There was no equity trading on Friday, in observance of Good Friday, but bonds tumbled in an abbreviated session. Yesterday the benchmark 30-year Treasury bond fell another 7/8 of a point by early afternoon on top of the near 2 points it lost on Friday, bringing the yield to 6.906, its highest

level since August last year.

By 1.30pm, the Dow Jones Industrial Average was 129.70 points lower at 5,553.18.

Analysts attributed the slide in equities to the growing attractiveness of bonds, given their higher yields, and to concerns that rising wages might take a toll on corporate profits.

Given recent signs of economic growth, much attention will be paid to figures for March producer and consumer price inflation due on Thursday and Friday. Modest economic growth in a

low-inflation environment has been one of main factors propelling the US stock market higher through much of last year.

Mr John Lipsky, chief economist at Salomon Brothers, said

the next few months, but observers are divided about longer-term prospects for monetary policy.

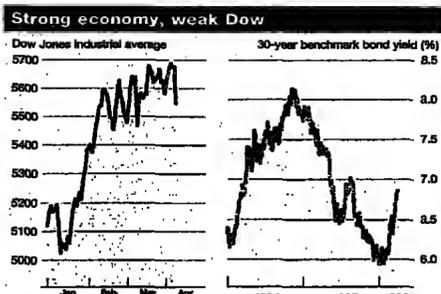
Mr Lipsky believes that if recent signs of economic strength are a temporary rebound from the sluggish growth seen last year, the Fed could resume cutting interest rates at the end of the year.

On the other side of the debate is Mr Stephen Roach, chief economist at Morgan Stanley, who said: "I could say unequivocally that the easing for this business cycle is finished."

"If the Fed were to lower rates again it would be a dangerous and reckless move," he said.

He expected the Fed to raise interest rates as much as half a percentage point by the end of the year.

Separately, the board of the New York Stock Exchange voted to apply to the Securities and Exchange Commission to change some trading rules triggered by sharp declines on the market.



Source: FT Intel, Datastream

he expected the inflation figures to start rising more quickly than for most of last year, thus inspiring further market pessimism in the short term. Salomon was forecasting a 0.5 per cent jump in the producer price index and a 0.4 per cent increase in the consumer price index.

There is agreement on Wall Street that the Federal Reserve will not lower interest rates over

the next few months, but observers are divided about longer-term prospects for monetary policy.

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Mr Robert Parry, president of the San Francisco Federal Reserve Bank, said the US economy was returning to a period of moderate growth following a short period of weakness earlier this year.

He said the weakness was "due primarily to weather-related events" as well as the US government shutdown.

In Japan, concerns about an increase in US interest rates had earlier triggered a 1.3 per cent fall in the Nikkei average.

The rise in US bond yields on Friday alarmed investors in Tokyo, who feared a fall-off in equity purchases by the US pension funds which have driven the Japanese market higher in recent months.

Madrid, the only mainstream European market to trade yesterday, fell 1.04 per cent, tracking bond market losses.

Greek markets were also open, and the Athens general index closed down 0.55 per cent.



Border patrol: South Korean soldiers guard the demilitarised zone separating the two Koreas yesterday. Over the last few days soldiers from the North have staged military exercises in the area, in violation of a truce. Theatre of war, Page 18; Trial clouds election, Page 4

## New technology 'to bring boost in oil production'

By Robert Corzine in London

Oil production from existing reserves could be dramatically increased within the next decade according to the world's largest oil services group.

Schlumberger, the big Franco-American group, believes new production technology is set to add billions of barrels to total world reserves, while extending the life of many mature production regions, such as the US Gulf of Mexico and the North Sea.

Mr Euan Baird, chairman and chief executive of Schlumberger, said the ability to identify and extract just half of the oil that has been bypassed in existing fields would boost the average world recovery rate from 35 per cent to 50 per cent.

The key to achieving such a gain would be improved understanding of local geology combined with the ability to "monitor and control in real time the

fluid movements" within oil reservoirs. Mr Baird said achieving precise monitoring and control of wells was the oil industry's "new holy grail," and a goal Schlumberger hoped to achieve within 10 years.

Industry analysts said the 50 per cent recovery target "was not unreasonable" given the current pace of technological advance, although Schlumberger's 10-year projection for being able to fine-tune reservoirs appeared ambitious to some. Mr John Lichtblau of the Petroleum Industry Research Foundation in New York said such a boost in recovery rates would be needed within 10 years "if the world was to avoid an oil supply crunch".

Mr Baird said no major technological breakthroughs would be required, although there would have to be evolutionary advances in a number of areas. These

## Crédit Lyonnais set to open longer hours

By David Buchanan in Paris

The state-owned Crédit Lyonnais bank has agreed with two of its unions a deal on flexible hours that could sweep away rigid French banking regulations dating back nearly 60 years.

The agreement gives employees a reduced working week from 39 to 37 hours at the same pay in return for agreeing a shift system that will allow the bank to stay open longer hours, possibly for six days a week.

This runs counter to a 1987 decree, from the left-wing Popular Front government of the time, which requires regular commercial banks to give staff two consecutive days off - one of which must be Sunday - a week.

The decree, which provides for exceptions, has been flouted by institutions within a few smaller institutions, but never breached by any of France's big three banks - Crédit Lyonnais, Société Générale and BNP.

The agreement reached with two moderate unions, SNB-CGC and the CFTC, reflects increasing disregard for the outdated restrictions, which oddly do not apply to savings and mutual

## Russian bank crisis threatens to derail economic reforms

By John Thornhill in Moscow

About one in five of Russia's new generation of commercial banks has already gone bust or is in severe financial trouble, threatening to derail the country's economic reform programme, according to the Association of Russian Banks.

Mr Sergei Yegorov, the association's president, said it was illusory to talk of financial stabilisation while the sector was experiencing such a grave crisis.

He said the central bank had classified 430 financial institutions, accounting for 10 per cent of the country's monetary and lending system, as problem banks. Over 300 had already lost their licences.

Mr Sergei Dubinin, the central bank governor who was attending the association's congress, held out little prospect of government relief. He said there would be no further easing of reserve requirements and promised a continuing monetary squeeze designed to cut the monthly inflation rate to 1 per cent by the year's end.

Next month, the central bank will cut banks' reserve requirements on 30-day rouble deposit accounts from 20 per cent to 18 per cent to inject more liquidity

into the financial system. But the bank has stressed repeatedly it will not bail out the weaker banks even though it is encouraging them to merge to strengthen their financial positions.

Russia's banking sector, which expanded furiously on the back of cheap credit and high inflation, has been experiencing a slow motion implosion for several months as the government's stabilisation programme begins to take effect. Some cash-starved banks appear to have recently dumped their Treasury bill portfolios to raise money.

A European Union-sponsored report on the Russian banking sector has predicted as many as 1,600 of Russia's 2,285 active banks would disappear over the next few years.

However, several economists have argued that the contraction of the banking sector is both necessary and healthy. Mr Pavel Tepukhin, economist at Troika Dialog, a Russian stockbroker, doubted whether problems at marginal banks would have a much broader economic impact.

"There is no problem of liquidity in the economy as a whole but only with the allocation of this liquidity within the banking sector," he said. "We do not need so many banks."

Table of Contents listing various sections like News, Week Ahead, Business Travel, etc. with page numbers.

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NEWS: EUROPE

EUROPEAN NEWS DIGEST

Bildt delays Serb decision

Mr Carl Bildt, who is responsible for implementing the civilian side of the Dayton accord on Bosnia, yesterday gave the go-ahead to an international donors' conference for reconstruction in the war-torn republic but said he would decide tomorrow whether the Bosnian Serbs would be invited.

Over 100 die in Kurdish clashes

Turkish security officials said yesterday that 27 soldiers and 90 Kurdish rebels had been killed in three days of harsh fighting in the country's south-east. The clashes, in the mountainous northern part of the province of Diyarbakir and in nearby Bingol province, had been among the bloodiest of the 12-year-old campaign by the Kurdistan Workers Party (PKK) for autonomy or independence in the region, they said.

Banesto inquiry completed

A Madrid judge yesterday concluded a 17-month inquiry into the near collapse of Banco Español de Crédito (Banesto) in December 1993 and paved the way for the trial of Mr Mario Conde, Banesto's former chairman, and nine other directors.

Portuguese concern on Emu

Portugal's top businessmen have called on the government not to participate in European monetary union before Spain and Italy. More than 50 company and bank chiefs warn in a consultative document that currency devaluations by Spain or Italy could badly damage Portugal's competitiveness if it signed up to a single currency before them.

Emergency team sent to Kiev after government overshoots spending target

IMF calls off \$1.6bn loan to Ukraine

The International Monetary Fund yesterday sent an emergency mission to Kiev after cancelling a \$1.6bn loan programme because Ukraine overshoot its spending target. The IMF's surprise decision, coming just a week before what was expected to be board approval, deals a further blow to Ukrainian economic reform.

A senior IMF official in Washington called the cancellation "most unfortunate", but thought the economic impact would be "limited" as long as the talks moved quickly. The IMF is believed to be looking for fresh commitments on budget and inflation policy.

Ukraine's economy remains among the weakest in eastern Europe. Gross domestic product fell 12 per cent last year. The president last week reaffirmed the government's commitment to reform and stabilisation in a speech before a largely hostile parliament.

Yeltsin woos votes with savings pledge

Not to do it." The government would grant a six-month loan of R84,000bn (€540bn) to the state pension fund to ensure all pension arrears were eliminated by the end of the month. The money would be raised from issuing short-term government bonds and taxes, Mr Livshits said.

Mr Yeltsin's energetic campaigning and extravagant promises have enabled the unpopular Russian leader to close the gap on his chief challenger, Mr Gennady Zyuganov, the Communist party leader. But opinion polls suggest the biggest grievance for Russian voters remains the conflict in Chechnya which has already cost 30,000 lives.

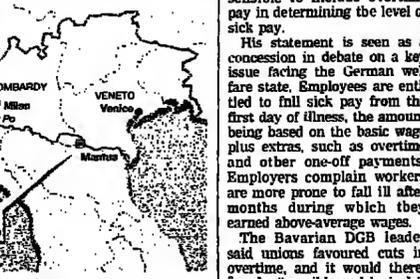
German unions in hint over sick pay

Leading German trade unionists have expressed readiness to compromise over cuts in sick pay, breaking a long-standing taboo on an emotive issue over which they have been at loggerheads with employers for years.

Italian poll fuels hopes for independent north

Several years hence a quiz show host might be asking the following general knowledge question: "What is the capital of Padania?"

Gianfranco Fini and four minor groupings. "We believe part of the League vote has already shifted to AN," says Mr Andrea Merlotti, elected as a Forza Italia deputy for Mantua in 1994 and who is standing again.



has convened 10 times and hosts 394 delegates. Mr Bossi has been blowing hot and cold on the idea of secession from the "robber government in Rome" for almost four years. But, as the campaign for general elections on April 21 gathers pace, he is playing the secessionist card.

He also concedes that some of the Forza Italia electorate might move to AN which polled just under 6 per cent of the vote here last time. Even with a substantial strengthening of AN, it would be surprising if the rightwing alliance touched 40 per cent.

rely on the Communists' votes?" questions Mr Merlotti of Forza Italia. A bigger imponderable is that of the party just formed by the caretaker premier, Mr Lamberto Dini. His Dini Italian Renewal has been given one of the three chambers of deputy seats to contest, backed by the Olive Tree Alliance. At a local level this was extremely unpopular because a candidate well known in the community was elbowed aside to make way for Mr Diego Masi, an ambitious politician who failed to win the election to run the Lombardy region last year.

Verdict boosts case against Andreotti

Contrada, a career policeman who rose to become the head of state intelligence monitoring Cosa Nostra, the umbrella organisation of the Sicilian Mafia. Last Friday, Mr Contrada was sentenced to 10 years' imprisonment for having provided favours and protection to Mafia bosses for more than a decade.

However, the judge accepted the prosecution case that Mr Contrada had become a double agent working not for the state but the ruling clans of Cosa Nostra. Mr Contrada had passed on sensitive police information, enabling Mafia leaders to stay at large.

most of the court's time and because an assistant judge had had health problems. The accusations against the 76-year-old Mr Contrada came from all the main pentiti, including the historic figure of Mr Tommaso Buscetta. If the court had found in the contrary, it would have proved a serious blow to the pentiti system, which over the past five years has become one of the state's main weapons in its fight against the Mafia.

Simitis to stress role in Balkan stability in talks with Clinton

The Greek prime minister, Mr Costas Simitis, is expected to stress his country's commitment to promoting stability in the Balkans when he meets President Bill Clinton at the White House today.

Greece tries to get US on side

balanced Balkan policy since Mr Simitis took over as prime minister in January. It has distanced itself from its traditional ally Serbia by sending peacekeepers to Bosnia and, for the first time, shown a willingness to compromise in a five-year dispute over the former Yugoslav republic of Macedonia's choice of name.

Verdict boosts case against Andreotti

alliance of former premier Mr Silvio Berlusconi who say the evidence was too flimsy. The political divisions over the decision, with the centre-left backing the Palermo public prosecutor, could cause problems after the April 21 elections. Palermo magistrates now appear determined to investigate whether several prominent character witnesses for Mr Contrada perjured themselves.

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Handwritten Arabic text: صبرا من الاعمال

Chirac EL to Mideast

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NEWS: INTERNATIONAL

# Chirac urges EU to boost Mideast role

By James Whittington in Cairo

President Jacques Chirac of France yesterday completed a two-stop tour of the Middle East by promising to give "a new vitality" to French support for the Middle East peace process, particularly "the aspirations of the Arab world".

In an address given at Cairo University, which was billed by his delegation as an important indication of France's new vision for the region, he said Europe should live up to its responsibilities by playing a more influential role in the Middle East.

Europe must "no longer be just a dispenser of funds", but should "bring, more than ever, its political contribution to a peaceful solution in which it should be a co-sponsor," he said.

The president called for a summit of Mediterranean heads of state to follow up on a foreign ministers' meeting in Barcelona last November. The summit would work out a regional zone of stability and economic development.

He also reiterated the idea of an international institution which would oversee the distribution of water resources following a proposed regional pact on the issue.

Mr Chirac's speech was welcomed by Egyptian officials and commentators who hope a more proactive French and European stance on Arab issues in the Middle East will help counterbalance the perceived bias by Washington towards Israel.

Arab states have been particularly annoyed by US support for Israel's tough line against the Palestinians in the West Bank and Gaza Strip after a wave of suicide bombings in late February.

Playing to his audience, Mr Chirac warned Israel against reneging on its agreements with the Palestinians. "Commitments already signed must be respected, and the agreed timetable adhered to in peace



Chirac seeks 'total peace'

talks with the Palestinians," he said. "There will be no durable peace unless the rights and legitimate aspirations of the Palestinians are respected," he added.

He also called for Israel to restart stalled talks with Syria so that a peace accord can soon be reached on the basis of a "total retreat from the Golan in return for a total peace".

The tour was Mr Chirac's first to the Middle East since he took office in May. Last week he made the first official visit to Lebanon by a French president since it won independence from France in 1943.

There he urged a withdrawal of Syria's 40,000 troops in the country after an eventual end to Israeli occupation in the south. He also said French troops would be available to help secure any peace agreement.

# Industrial conflict in west at 50-year low

By Robert Taylor, Employment Editor

Industrial conflict in the western industrialised world has fallen to its lowest level for more than 50 years, according to the latest international statistics on strike activity issued by the Paris-based Organisation for Economic Co-operation and Development and published by the UK's department

of education and employment. Only an annual average 122 working days were lost to labour disputes per thousand employees between 1985 and 1994. The strike rate in the five years after 1990 was an annual average of 100 working days, compared with 145 working days for the five years before. The sharpest fall in industrial conflict since 1990 was in Denmark (an 85 per cent

decline compared with the 1985-90 period), followed by New Zealand and the UK (79 per cent). Greece was the most strike-prone country in the OECD, with an annual average of 3,729 working days lost per thousand employees between 1985 and 1994. It was followed by Spain, which averaged an annual 565 working days lost per thou-

sand, and Canada (296 days). The most industrially peaceful country since 1965 has been Switzerland, which recorded an annual average of only one working day lost per thousand employees. Japan came second, claiming to have an annual average of a mere four working days lost per thousand employees, followed by Austria with five and Germany and the Netherlands with 12.

The UK, with an annual average of 108 working days lost per thousand employees, came in 11th out of the 22 countries on the OECD strike league table, slightly below the OECD average of 122 working days lost. However, in 1994 the UK recorded its lowest number of working days lost to industrial conflict since official records began in 1981. The study points out that the

international statistics on strikes exclude the secondary effects on other workers affected by shortages of materials supplied by establishments in dispute. It also omits go-slows, work to rule and overtime bans. Strikes involving a small number of workers are also excluded by some countries. Labour market trends, April 1996. HMSO £5.45

# Benefit of tariff reduction 'not fully recognised'

By Guy de Jonquieres, Business Editor

Countries which reduce their import tariffs gain bigger and longer-lasting economic benefits than has been generally recognised, an Australian government study has found.

It suggests that differences in industrialised countries' economic performance since 1970 have been determined more by the speed at which they have cut tariffs than by the vigour with which they have tackled domestic reforms.

The study, by the Economic Planning Advisory Commission, finds

that every 1 percentage point fall in industrialised countries' tariffs has, on average, raised their total productivity by more than 3 per cent and gross domestic product by 2 per cent. The commission, which is attached to the prime minister's office, says these increases are about 10 times greater than most economists had previously believed.

It says the gains were even bigger in countries, such as Finland, which started with exceptionally high tariffs. More than half the margin by which Finland's growth rate exceeded the average for industrialised economies in the 1970s and

1980s is attributed to the impact of tariff cuts.

The study concludes that Australia's relatively poor economic performance during the same period was due mainly to it being slower than other rich countries to lower tariffs.

But the study estimates that tariff cuts planned for the rest of this decade will raise Australia's productivity by 25 per cent, boost its gross domestic product by as much as 17 per cent and sharply reduce its current account deficit over the longer term. It finds that, in most countries, tar-

iff cuts have only started to affect economic performance about four years after they were introduced. However, they continued to yield benefits for about 20 years.

The authors say that although the benefits of reducing tariffs can be increased if countries also pursue domestic reforms, these explain little of the difference between the productivity performance of industrialised economies since 1970.

They find that France obtained some of the largest economic gains from cutting tariffs during this period, while continuing to pursue a dirigiste industrial policy and main-

taining large public monopolies in important industries.

Many previous analyses have argued that dismantling tariffs encourages higher productivity by stimulating increased investment. However, the study says there is little evidence that this has happened in industrialised economies. Instead, trade liberalisation has enabled countries to increase output from existing capital investments.

Tariff Reform and Economic Growth: Economic Planning Advisory Commission, PO Box 24, Queen Victoria Terrace, Parkes, ACT 2600. Tel: (616) 270 2444. Fax: 270 2442

# Central Asians reach common ground over water

An agreement signed at the weekend will improve cross-border deliveries of water and energy, writes Sander Thoenes

Three central Asian republics announced an agreement at the weekend acknowledging that in a region where rain is a rarity water can be as valuable as coal or gas.

Mr Zhenishbek Bekbolotov, Kyrgyzstan's minister for water resources, said yesterday that his country had agreed with neighbouring Uzbekistan and Kazakhstan to improve cross-border deliveries of water and energy.

Short on details, the accord calls on Kyrgyzstan to guarantee supplies of hydroelectricity and sufficient flow of water through the Syr Darya river to the cotton fields of Uzbekistan and Kazakhstan, in return for unspecified amounts of Uzbek gas and Kazakh coal.

"Water is a commodity," Mr Bekbolotov said. "Any natural resource that is used should be paid for."

The break-up of the Soviet Union has forced local leaders in central Asia to reconsider

how to share natural resources.

Kyrgyzstan is dependent on its neighbours for gas and coal, but owns a large hydroelectric power station which controls the flow of the Syr Darya, a significant source of irrigation.

"When the Soviet Union existed all this was run by Moscow," said Mr Kuposyn Kudaibergenov, deputy chairman of the Kazakh Water Committee.

"There was a command system and we all followed orders. Now each state is sovereign and each has its own problems to deal with."

Since 1992 Kyrgyzstan has opted to let water flow through its hydroelectric dams in winter, when it needs to heat its homes. The country stores water in spring and summer, when Uzbekistan and Kazakh-



stan are desperate for water to irrigate their cotton fields. Uzbekistan, in turn, has frequently reduced or cut off supplies of gas to its neighbours because of huge payment arrears. At one point, Kyrgyzstan siphoned off Uzbek gas en route to Kazakhstan in an attempt to guarantee supplies. Kazakhstan has been worst

hit, because what little water it receives from Uzbekistan is polluted by drainage from the cotton fields, which are heavily sprayed. Its capital, Alma Ata, is poorly lit and hit by frequent power shortages.

Excessive use of the Syr Darya and the Amu Darya rivers for irrigation has drastically cut supplies to the Aral

Sea, which has also been heavily polluted with pesticides. However, the new accord makes no mention of increasing the water flow to the Aral.

Mr Abdurahim Zhalalov, Uzbekistan's acting minister for water resources, denied water had become a commodity in central Asia. "Nobody is trading water," he said. "The commodity is hydroelectricity."

But Uzbekistan and Kazakhstan would be unlikely to buy hydroelectricity in summer if not to ensure water supplies. The new agreement fails to create a pricing mechanism for the various commodities, the main source of conflict in a region where such trading is a novel business. Kazakhstan received only 70 per cent of pledged supplies of water from the Syr Darya last year, and

much of it in winter. "Water should not be for sale," said Mr Kudaibergenov, "because whoever sits upstream will demand as much as he wants, as a monopolist."

A study into ways to save the Aral Sea, funded by the World Bank and due to be released soon, calls for co-ordination of water and agriculture policy between the three republics but keeps the issue separate from the energy disputes.

The three republics have invited neighbouring governments to join in and solve a host of other water and energy disputes.

Uzbekistan and Turkmenistan struggle to share the Amu Darya river; Kazakhstan has asked China to stop over-using the Irtysh, which flows through Kazakhstan to Russia; and Moscow recently cut off electricity supplies to northern Kazakhstan to press for payment of \$400m (£263.1m) in energy bills.

ending large...  
kraine  
German unions hint over sick pay

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Can you put up a power transmission system without annoying your neighbors? Economic development and environmental conservation are often seen as natural enemies. But by taking environmental considerations seriously early on in a project, ABB keeps any impact to a minimum. For

example in southern Africa, ABB was asked to erect 410 kilometers of transmission lines without disturbing an indigenous colony of Cape vultures. The project was executed with minimum disturbance during the breeding season between April and September. It is somewhat surprising therefore that this neighborly respect did not slow down the project. In fact planning ahead combined with local knowledge and advanced technology meant the Zimbabwean section of the Matimba Bulawayo interconnection was completed ahead of schedule.

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NEWS: ASIA-PACIFIC

India poll study sees worst result for party since independence Record low in Congress vote forecast

By Mark Nicholson in New Delhi
India's governing Congress party is heading for its lowest share of the popular vote since independence in general elections which start towards the end of this month...

Sedition trial clouds Korean election Seoul court case may affect outcome of Thursday's poll, writes John Burton

For the past month former presidents Roh Tae-woo and Chun Doo-hwan, once the most powerful men in South Korea, have made weekly appearances in the dock of the Seoul district court dressed in powder-blue prison uniform.
Their trial for sedition has transfixed the nation, while being hailed in the rest of Asia as a rare regional example of political leaders being brought to justice for abuses of power.

Manila to prosecute mining executives

By Edward Luce in Manila
The Philippine government yesterday said it would file criminal charges against at least five executives of a mining company which leaked toxic waste into a river last month...

Crime adds to business risks in Vietnam

By Jeremy Grant in Hanoi
Doing business in Vietnam's commercial capital, Ho Chi Minh City, is getting a little riskier, but not because of more usual reasons such as unwelcome taxes or new layers of red tape.

Chinese Airbus order would threaten Boeing dominance

By Tony Walker in Beijing
Jacques Chirac of France and with Chancellor Helmut Kohl of Germany. The Chinese official may also indicate Beijing's preference for European involvement, including that of Airbus Industrie, in China's plans for a domestically produced 100-seater passenger aircraft.

Boeing has had a \$2bn order for China of some 20-30 aircraft pending since last year, but an announcement by Boeing with about half the 400 aircraft in service, but Airbus has been making inroads and in the past five years has secured about 30 per cent of new orders.

Japan's central bank listens to whispering from the grass roots William Dawkins on managers with subtle and ambiguous influence

The Bank of Japan, the world's largest holder of foreign reserves, yesterday broke out the green tea and biscuits for what must be one of the least known - but far from least interesting - events in the international economic calendar.



Yasuo Matsuhashita: no need for discount rate change

Democratic party as urgent. Formerly, branch managers have no direct say on either of these matters. Accordingly, Mr Matsuhashita's speech, the only part of the meeting to be published, would have been greeted with polite assent.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

Table with columns for Country (USA, Japan, Germany, France, Italy, UK), Period (1985-1995), and various financial indicators like Money, Short-term, Long-term, and Equity market.

Monetary growth rates show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the central bank sources...

Vertical text on the right edge of the page, including 'New-look cabinet', 'Quebec threat is', and 'HK growth Shanghai'.

Handwritten Arabic text at the bottom center: 'صدا من الامم'.

# New-look Peruvian cabinet to greet IMF

By Sally Bowen in Lima

An International Monetary Fund delegation due to return to Lima this week will find it is dealing with an extensively overhauled cabinet, a new prime minister and less resistance to free-market reforms and privatisation.

The surprise resignation last week of Mr Dante Cordova, prime minister, gave President Alberto Fujimori the opportunity to give the cabinet a more homogeneous and technocratic look.

The new economic direction is likely to be appreciated by the IMF mission, which will renew negotiations over a three-year extended fund facility being sought by Peru.

Within 36 hours of Mr Cordova's resignation, half of his cabinet had their formal offers to step down accepted. Those replaced generally shared the concerns of Mr Cordova on the social impact of the economic reform programme.

Four engineers and an economist were sworn in as ministers on Wednesday evening, leaving the education and health ministries unfilled.

Mr Daniel Hokama, who has headed the government team



Alberto Fujimori: opportunity

in negotiations with Shell and Mobil over development of the huge Camisea gas fields, returns to his earlier post at the mines and energy ministry.

Ms Elisa Carrera, formerly head of Mr Fujimori's massive school-building programme,

was given the transport and communications portfolio. Both she and Mr Hokama are loyal to the president.

The appointment of Mr Alberto Pandolfi to the premiership - and the Fisheries ministry - was unexpected but welcomed.

He has been involved in several successful privatisations and has presided over the sensitive process of selling off Petroperu, the state oil producer and refiner.

Several key ministers were rattled in their posts, notably Mr Jorge Carnet as economy and finance minister, Mr Francisco Tudela at foreign affairs, and Mr Jaime Yoshiyama in the ministry of the presidency.

Peruvian businessmen and foreign analysts have backed the composition of the new cabinet. International investor confidence is crucial at present as Peru is soon to launch an estimated \$1.4bn offering of state-owned shares in now-privatised Telefonos del Peru.

With disappointing production and inflation indicators for the start of the year, and large trade and current account deficits, the Peruvian government is keen to present an image of unity.

# Clinton set to defend Brown's legacy

Commerce department remains leading target of Republican budget cutters

The mourning had just begun when US President Bill Clinton last Wednesday went to the commerce department to console employees after the death of Mr Ron Brown, whose aircraft had crashed into a Croatian hillside that day.

Mr Clinton brought a message from Mrs Alma Brown, the commerce secretary's widow. "Tell them Ron was proud of them, that he liked them, that he believed in them and he fought for the commerce department. And tell them you are going to do that now."

The message was welcomed. Despite Mr Brown's achievements, or perhaps because of them, the department remains the leading target of Republican budget cutters. Both houses last year passed bills promising to dismember the department, but these have been held at bay by a threatened presidential veto. The House of Representatives majority leader, Mr Dick Armey, has vowed to return to the attack when Congress returns from its spring break.

By the time the Republicans took control of Congress last year, Mr Brown had largely succeeded in his aim of making his department "a power-

house" in Washington. The secretary brought in talented blacks, Latinos and Asians and used them to promote trade in the countries of their ancestors.

Mr Brown was the first secretary to make sense of commerce's many and varied agencies - ranging from the census bureau to the technology administration and the weather bureau. He laid out the department's missions very simply. It was to promote exports, new technologies, the information superhighway and economic development for troubled regions of the US.

"I believe we will look back at this time, and Ron will be

seen as someone who defined the mission in a way that made sense in this economy," said Ms Marge Searing, deputy assistant secretary for Japan.

Mr Brown did much to boost employee morale, said Ms Searing who has served under seven administrations. One of his early acts was to reopen for all employees the "secretary's entrance", more convenient than other entrances to the building in Washington but which was closed by one of his predecessors to all but high-level officials and distinguished visitors.

The department's career bureaucrats, ridiculed under previous administrations, grew

accustomed to Mr Brown dropping by for a chat and drinking coffee in the staff cafeteria. In the past few days these workers have wandered from office to office consoling each other.

Ms Anna Alonzo, a deputy assistant secretary, went ahead with a meeting on Friday between representatives from 40 US companies and a Russian delegation shopping for environmental technologies. "The pro-activity, the dynamism is Ron Brown's legacy," she said. "He was so clear in his mission that we didn't have to be told what he would have wanted to have done."

No one has yet publicly engaged in the savoured Wash-

ington sport of speculating about the succession, but two possible candidates to replace Mr Brown, perhaps temporarily, are at hand: Mr Stuart Eizenstat, a former EU ambassador who was sworn in as under secretary last week, and Mr Thomas "Mac" McLarty, the president's boyhood friend and White House adviser.

"Time will be needed for those involved to catch their breath and think about filling the leadership vacuum," said Mr Joseph Grandmison, director of the US trade and development agency. "The job is different now because of Ron Brown. He took what was an irrelevant agency and made it a key player."

Mr Clinton seems particularly shaken by the loss of his commerce secretary, whose political counsel he sought as much as his policy advice. At a ceremony on Saturday, when the bodies of the victims in the Croatian crash were brought back to the US, Mr Clinton spoke of his resolve "to continue their mission of peace and healing and progress" in Bosnia. But he will also need time to find a replacement to fill the very large shoes of his friend.

Nancy Dunne

# Quebec secession threat is 'fading'

By Robert Chote, Economics Editor

The referendum on independence for Quebec last October might be the last and the threat of secession is fading as its economic costs become clearer, according to Mr Paul Martin, Canadian finance minister.

In an interview, Mr Martin welcomed the fact that Quebec's new leadership had chosen to make the economy, rather than the constitutional question, its first priority. "There appears to be a growing recognition in the province that you cannot just keep having referendums indefinitely [until you get the result you want]. One can conceive that the era of ongoing referendums is gone."

But he conceded "it would be

premature to say today that the political debate is on ice".

It was clear to Quebecers that calls for secession had deterred investment and involved other economic costs, Mr Martin said. But he noted that even the separatists had said Quebec would accept its share of Canada's debt obligations, knowing this would affect their own financial credibility.

Mr Martin argued that an early election in Canada was unlikely, even though the Liberal government was popular and the opposition parties were divided. He said he was surprised by the reaction of political commentators to his fiscal package in February: "People called it an election budget, which really bugged my mind. I would be very surprised if we saw an early election."

## INTERNATIONAL NEWS DIGEST

### HK group wins Shanghai deal

Shui On, a Hong Kong property and construction group, yesterday announced it had signed an agreement to develop a HK\$5bn (\$650m) housing estate in Shanghai. The project, to be known as Rainbow City, is expected to provide housing for 80,000 Shanghai residents. It will be completed in phases over the next 10 years and will also include commercial and recreational facilities.

The site will be developed through a joint venture between Shui On and the Zhong Hong Group, a company controlled by the Hong Kong district of Shanghai where the housing estate will be built. Mr Xue Quan-rong, head of the Hong Kong district government, said redevelopment of the older areas of the city was an urgent task and was necessary to improve living standards. Housing demand in Shanghai has increased rapidly as a result of strong economic expansion.

For Shui On, the project is the latest in a series in Shanghai. Since 1985 it has built the City Hotel, the Jin Ming Mansion and is working on the Shui On Plaza. It also has developments in Beijing, Wuxi, and Guangzhou. *John Kilduff, Hong Kong*

### Sri Lanka extends emergency

A state of emergency was imposed throughout Sri Lanka yesterday, in a surprise move described by the opposition as an attempt to scuttle local council elections billed as a crucial mid-term test for the government.

President Chandrika Kumaratunga, extending the emergency which was earlier restricted to the north-eastern region and a few towns considered vulnerable to attacks by the separatist Tamil Tiger guerrillas, said the proclamation was "for the preservation of public order and maintenance of supplies and services essential to the life of the community".

The move stunned even some governing party politicians and came amid efforts to restore foreign investor confidence shattered by the January bombing of the central bank in which 81 people died and 1,400 were wounded. Mr Ranil Wickremesinghe, opposition leader, said the action was aimed at gaining political advantage rather than due to security considerations. *Amal Jayasinghe, Colombo*

### Fighting flares in Liberia

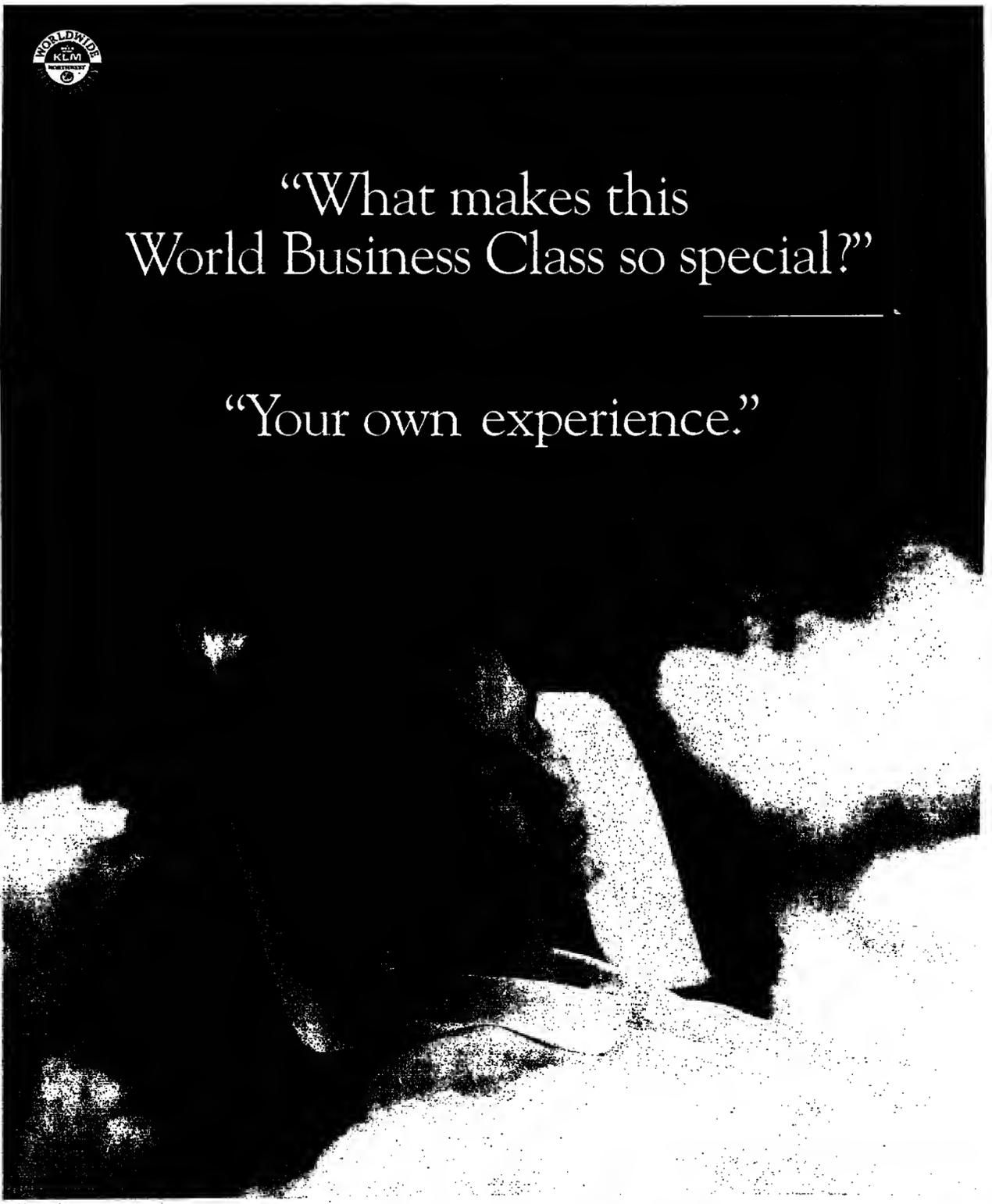
The US was yesterday considering evacuating American and other foreign nationals from Liberia, where the capital Monrovia has been rocked by some of the worst fighting seen between rival militias in four years.

Diplomats said a US military team was heading from Europe to neighbouring Sierra Leone and would fly in by helicopter to assess the situation in the West African coastal city, still echoing with the sound of automatic rifle fire and grenade explosions.

The Easter weekend fighting, the worst since 1982, has sent thousands of Liberians fleeing Monrovia, while others have sought refuge in embassies. Up to 10,000 Liberians were said to be sheltering in a US embassy annex.

The clashes started on Saturday when police and militiamen loyal to Mr Charles Taylor, a former rebel leader now in government, attacked the home of a rival faction head wanted for murder. Mr Roosevelt Johnson, recently ousted from his job as rural development minister, refused to surrender. He and his supporters then fled to a former army barracks and the conflict escalated as they were joined by members of another faction.

The fighting deals a body blow to the credibility of Liberia's ruling council of state, set up in August after years of regionally brokered peace negotiations and abandoned agreements. *Nicholas Wang, Nairobi and agencies*



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World Business Class

Manila to prosecute mining executives

## NEWS: UK

# Minister appeals to Japan on imports

By William Dawkins in Tokyo and George Parker at Westminster

Mr Ian Lang, UK trade and industry secretary, yesterday urged Japan to deregulate its import markets as he left London with more than 100 senior executives on Britain's largest trade mission to Japan.

The mission marks heightened UK pursuit of a Japanese domestic market which is showing an increased appetite for imports in the wake of five years of recession and a strong currency.

Mr Lang, the fourth UK minister to visit Japan this year, will tour Tokyo and the industrial centres of Nagoya, Osaka and Kobe for four days until Friday. Trade as well as regional interests will be pursued by Mr Jeremy Han-

ley, the Foreign Office minister responsible for Asia, who will arrive tomorrow.

The delegation with the British ministers represents sectors including telecommunications, power generation, financial services, electronics, health-care and garden equipment. Among the companies present are British Telecommunications, British Nuclear Fuels, Guinness and Kleinwort Benson.

Mr Lang will address a seminar on Britain's experience of economic deregulation at the Keidanren economic federation. He will also take part in trade promotions and meet senior Japanese ministers and business executives.

Mr Lang said in London that a priority of his mission would be

improved access to the Japanese telecommunications market, where the Japanese government last month promised to ease restrictions in 1997 on the connection of international leased lines to local networks.

"I am keen to get more access into the Japanese market, to see more deregulation in Japan," Mr Lang told BBC Radio. "You don't break into a market like Japan overnight. It does need a bit of patience and persistence."

British companies accounted for 4.5 per cent of investment in Japan, which was more than most other European nations, Mr Lang added. Britain exported more to Japan than France and Italy. Britain has improved its share of Japan's domestic market in the past year, and has followed the

European Union's policy of avoiding the threats of trade sanctions used by US trade negotiators.

UK exports to Japan rose by 26.1 per cent to £3.77bn (\$5.73bn) in 1995, outstripping Japan's average import growth rate of 22.6 per cent in the year. Britain's imports from Japan grew more slowly, by 9.1 per cent to £3.73bn, leaving a £5.96bn UK trade deficit with Japan.

Investment in the UK, which attracts envy elsewhere in the European Union for having the single largest share of Japanese plants in the region, will also be on Mr Lang's agenda. The 232 Japanese manufacturing plants now based in the UK represent 40 per cent of Japan's manufacturing investment in the EU.

## Kawasaki hails purchasing success

By Michael Cassell, Business Correspondent

One of Japan's largest engineering and consumer products groups says its campaign to buy more British components and material supplies has been an "outstanding success".

Kawasaki Heavy Industries teamed up with British ministers last July to launch a high-profile initiative aimed at extending the company's UK procurement programme. Kawasaki said at the time that it spent about £40m (\$61m) a year in the UK, but wanted to raise the proportion of components and materials purchased in Britain for use in a range of manufacturing activities in Japan.

Mr Shumetsu Kondo, managing director of Kawasaki Heavy Industries (UK), claimed during the weekend that the expanded purchasing programme had fulfilled the company's expectations despite early concerns that it might prove too ambitious.

He said the value of purchases in the UK had already risen by about 20 per cent since the launch. He expected an even higher rate of increase during the remainder of 1996, a performance which should lift Kawasaki's annual procurement bill in the UK to almost £60m.

"We have been particularly successful in securing supplies in sectors such as marine equipment, rolling stock and aerospace," Mr Kondo added. "We insist on high quality, competitive prices and good delivery performance and we are getting them from UK suppliers."

When Kawasaki announced its purchasing drive, Mr Ian Lang, UK trade and industry secretary, expressed hopes that Kawasaki's UK purchases might double to £80m in the following 12 months. The Department of Trade and Industry said this weekend, however, that the figure represented "an aim rather than a set target" and that the purchasing programme was "moving in the right direction".

## UK NEWS DIGEST

## BBC terminates Arabic contract

BBC Worldwide said it was terminating a 10-year agreement worth about £100m (\$152m) to broadcast eight hours a day of television news and current affairs in Arabic to the Middle East. Its satellite service, BBC Arabic Television, was provided under contract to Orbit Communications, a Rome-based company owned by the Masriid Group of Saudi Arabia.

The issue that prompted the BBC to begin termination negotiations was the interruption of the service in January when reports were being broadcast on the case of Dr Mohammed al-Masari, the Saudi opposition figure who has been fighting deportation from the UK. Last Thursday, BBC Arabic Television broadcast to the Middle East a Panorama programme showing secretly shot film of executions in Saudi Arabia of people found guilty of adultery. As a result of the termination, about 250 jobs, most of them involving Arabic-speaking journalists, are threatened at BBC Television Centre in London.

**Latin America drugs curb urged**

Mr Malcolm Rifkind, foreign secretary, began an eight-day visit to Latin America and the Caribbean to press for new measures to tackle the drugs trade. "What we have been finding is that when routes are cut off, new routes spring up around Latin America," said a Foreign Office official. "That is why we have widening dialogue with countries that are not producers but are transit countries." Mr Rifkind will visit Barbados, Jamaica, Mexico, Brazil and Bolivia.

## Teachers' union leader defeated

Leftwing delegates at the National Union of Teachers defeated a bold attempt by its executive to weaken the power of the union's conference. The executive had proposed putting all measures adopted by the conference to a ballot by the whole membership. The vote came as the union, the biggest teachers' union in Britain, committed itself to balloting members on industrial action in support of any teachers "victimised" by inspections from Ofsted, the schools inspectorate, which will from next term have the power to name individual poor teachers.

The vote against curbing the power of the conference is a serious setback to attempts to curb the excesses of the NUT's national conference, which has repeatedly in recent years generated embarrassing press coverage with calls for industrial action on a range of issues, and demonstrations by extreme leftwing fringe groups. Mr Doug McAvoy, the union's general secretary, said it was a "sad day" for the union, but refused to resign.

*John Authers, Cardiff*  
Editorial comment, Page 17

**Bank unlocked:** A woman customer of Barclays Bank was surprised on Friday to find a branch of the bank in Muswell Hill, north London, open even though all banks traditionally close on Good Friday. She entered the unlocked building where the alarm system had not been switched on, and called the police. "We are very concerned that a branch has been left open," said Barclays after establishing that nothing had been stolen before the woman arrived.

**Rocket theft:** Royal Navy rockets and a horsebox were among items worth almost £5m (\$7.6m) stolen from government departments in the past five years, according to figures compiled by the opposition Labour party. The cost of theft to the taxpayer has risen from £416,000 in 1992 to almost £2m last year, a series of parliamentary answers revealed.

## Offer to Names soon to increase by at least \$300m

By Ralph Atkins, Insurance Correspondent

Lloyds of London is set to increase to more than £3bn the proposed out-of-court offer to Names which forms part of the insurance market's ambitious recovery plan due for implementation this summer.

The increase of at least £200m (\$304m) from the current £2.8bn will fall short of expectations of many Names, individuals whose assets have traditionally supported

## LLOYD'S

LLOYD'S OF LONDON

Lloyd's. But Lloyd's hopes any disappointment will be offset by revisions to the costing of the establishment of Equitas, a reinsurance company which will take over heavy US asbestos and pollution-related liabilities.

Provisional figures agreed with the UK government suggest that the cost to Names of drawing a line under their affairs at Lloyd's by shifting liabilities into Equitas will be lower than expected. The out-of-court offer, as well as ending litigation for damages, is meant to soften the cost of Equitas.

Still to be decided is whether to include auditors involved in litigation at Lloyd's in the offer. Auditors are understood to have offered about £100m, a figure considered derisory by many Names. If auditors are excluded, Lloyd's may be able to find similar funds from other sources. Names could then continue pursuing auditors in court.

The ruling council of Lloyd's will meet tomorrow to discuss revisions to the recovery plan, launched a year ago. But further meetings may be required before a revised offer is launched. Names were given first indication of their Equitas bills and settlement offer allocations last month. Final statements are due to be dispatched at the end of May.

Excluding auditors could have knock-on effects, prompting the agents which run Lloyd's syndicates to lower their proposed contributions because of fears they might be joined by auditors in outstanding court actions. Names are already dissatisfied at the proposed £200m contribution from agents and are threatening to call a divisive extraordinary general meeting if the total is not increased. Insurance brokers are close, however, to agreeing a £100m contribution.

## US chemicals group aims to double sales by 2000

By Peter Marsh and Jenny Luesby in London

Huntsman, the privately-owned US chemical company, plans to invest up to \$300m in the UK as part of a \$1.5bn worldwide investment programme intended to double its output by the end of the decade. Roughly half the UK investment will be spent on Huntsman's biggest British plant - at Carrington in northern England - which makes polystyrene.

Huntsman plans to add 150,000 tonnes a year of capacity to the plant's existing 135,000 tonnes a year. The production of plastics is not labour-intensive, but the expansion will create 30 permanent jobs. The company intends to double its global output of polystyrene to 1.17m tonnes by the end of 1998.

Huntsman is the second-largest producer of the plastic in the US. The planned expansion could make it the largest producer in the world, though its main competitors, Dow, BASF and Elf Atochem, are also pursuing expansion plans.

Mr Jon Huntsman, chairman and majority owner, said the company aimed to double its sales over the next five years from \$4.3bn last year. Huntsman has expanded strongly in recent years through acquisitions of other chemical companies. However, the recovery in



Jon Huntsman: many potential acquisition targets too expensive

the chemicals industry last year had made many potential acquisition targets too expensive, Mr Huntsman said.

He did not rule out more acquisitions, but said most of the company's growth in the next few years would come from increasing output at existing plants.

The company was also keen to boost its European presence. Europe accounted for less than 15 per cent of sales last year, but would receive more than a quarter of the new investment, he said.

A "disproportionate amount" of this would be in the UK, Mr Huntsman added. Three of the company's six European plants were in the UK, where they

formed a base for the whole of Europe - with the majority of Carrington's polystyrene output sold outside the UK.

The company also has a packaging plant in Skelmersdale, north-west England, and a speciality chemicals plant in Llanelli in south Wales.

The expansion plans come amid fears that the polystyrene market is becoming oversupplied. Mr Huntsman acknowledged that the market was "heading for a crunch".

He said: "As a private company, we do not need to monitor our performance quarter by quarter. This is an investment for the long term, and we believe the long-term outlook for polystyrene is excellent."

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THE WEEK AHEAD

UK COMPANIES

TODAY COMPANY MEETINGS: Fairway, 35, New Broad Street, E.C., 11.00

Tst, 21, Moorfields, E.C., 2.45 Rank Org, Queen Elizabeth II Conference Centre, Broad Sanctuary, W.C., 11.30

Centre, Barbican, E.C., 11.00 Lloyds TSB, Edinburgh Int'l Conference Centre, Edinburgh, 10.30

FRIDAY APRIL 12 COMPANY MEETING: St. Modwen Properties, Ironmongers Hall, Barbican, E.C., 12.00

BOARD MEETINGS: Finais: Abbot Tracker Network

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

YESTERDAY Barbour Index 3p Barr (AG) 8.2p Browning-Ferris \$0.17

\$16113.96 Electronic Data Processing 1.483p Eurodis Electron 1.85p

Takashimaya FRN Jan 1998 Y21402.0

Class B Mtg Bckd FRN 2028 £206.68 Conversion 10% 2002 £5.0

TODAY Abbey National Treasury Services 9% Gtd Bd 2004

LEONHO 1.25p MBE Fin Gtd Dual Basis Bd 2004

TOMORROW UK Plents (No 1) 9.1% Bd 2025

FRIDAY APRIL 12 AIM 1.5p Alumax 2.45p

BP America 10 1/2% Gtd Nts 1998

Prospect Inds 0.025p Rank Org 8 1/2% Bd 2000

THURSDAY APRIL 11 COMPANY MEETINGS: British Petroleum, Barbican

SATURDAY APRIL 13 Cornwell Parker 0.3p Do A N/Vtg 0.3p

British Assets Tst 1.13875p Brunner Inv Tst 3.2p Bullough 4.3p

Carlton Comms 14.3p Cavaghan & Gray 1.5p Chemical Banking Snr FRN

SUNDAY APRIL 14 Australia (Commonwealth of) 9 1/2% Ln 2012

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Tropical hardwood trees are more valuable to loggers than other trees in the rainforests. High prices for hardwood cause the loggers to have no qualms about destroying other trees that stand in their way.

Table with 4 columns: 1/2 hour, 1/4 hour, 1/8 hour, 1/16 hour. Rows include various commodity prices.

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Table with 4 columns: 1/2 hour, 1/4 hour, 1/8 hour, 1/16 hour. Rows include various commodity prices.

The Financial Times plans to publish a Survey on Jersey, C.I. on Wednesday, May 22.

This survey will be an overview of Jersey, providing a comprehensive analysis of the economic and political situation.

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BUSINESS EDUCATION

Della Bradshaw investigates an executive course where students have their minds set on travel

More work and more play

Thirty-three students lounged in the lecture room in Lancaster, in the north-west of England. They wore the white baseball caps emblazoned with the Lufthansa logo which had been distributed by participants from the German company.

course comprises five modules of two or three weeks - each on a different campus. The first course was in Lancaster, the others will be in Canada (McGill University), France (Insead in Fontainebleau), India (Indian Institute of Management in Bangalore) and Japan (Hitotsubashi University in Tokyo).



their day-to-day work, to get a masters degree from either McGill University, Mintzberg's home campus, or Lancaster. About 80 per cent of the students on this first course will go for the masters.

programme. Once during each residential part of the programme, and once between each taught element, the individuals peel off into company groups for discussion with a tutor.

would lay open to ridicule any academic of lesser status.

Unusually, IMPM is run collaboratively by the five institutions involved. This means none of them "own" the programme, so that each school and each academic can express their views in their own style.

The IMPM is marketed to individual companies - Alcan, Bordenier, Royal Bank of Canada and Kurion, in India, are just a few - who then send a handful of students on the programme.

Comments from students indicate that the IMPM still draws on some of the best elements of more traditional courses.

Other students bring a different perspective. Abbas Gullet is head of a sub-delegation of the Red Cross in Tanzania, where he runs a camp of 700,000 refugees.

Gullet argues that the International Red Cross, headquartered in Geneva, needs proper management as much as any other organisation.

NEWS FROM CAMPUS

Harvard students will sit GMAT examination

Students applying to study at Harvard Business School from September 1997 will have to take the Graduate Management Admissions test (GMAT).

Europeans' case by case approach

One of the long-standing North American traditions - the international case competition - is being adopted in Europe.

African high-flyers get free education

Young South African managers are being offered the chance to win bursaries to study management techniques in the UK.

Tall stories on and off the rugby pitch

Students from 25 business schools donated their rugby boots recently to converge on the Duke School in Durham, North Carolina for the International Business Schools Rugby Tournament.

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CONFERENCES & EXHIBITIONS

APRIL 15-17 7th International Delivery Systems Conference - Changing Channels? Learn about the latest developments in Distribution Management.

APRIL 30 Risk Management & Regulation. This conference on the management of risk features leading practitioners, regulators and advisors.

MAY 7-8 How to develop competitive advantage. Designed for senior executives responsible for their organisation's success in the marketplace.

MAY 16-17 Derivatives Risk Management. This course grew out of Fairplace's successful conference programme which highlighted in 1994 many of the risks now spotlighted by regulators and auditors.

JUNE 11 The Internet: A Corporate Revolution? The Internet - the Internet - will be the key development in IT for the remainder of the decade.

JUNE 12 Indirect Tax Conference - The Changing Face of VAT. Conference to examine the effect of fundamental changes in the European interpretation of VAT on UK law.

APRIL 22-23 The European Air Transport Conference. Organised in association with The European Commission and now in its third year.

JUNE 10-12 Sub-Saharan Oil & Minerals. The biggest annual gathering of Africa's energy & mining decision-makers.

SINGAPORE offers excellent back-up to computer experts. HERE'S data on other exhibitions.

Table with columns for dates and exhibition names: 9-12 Jul Autofact Asia '96, 10-12 Jul Pro Audio & Light Asia '96, 20-28 Jul Asia Pacific Furniture Fair '96, etc.

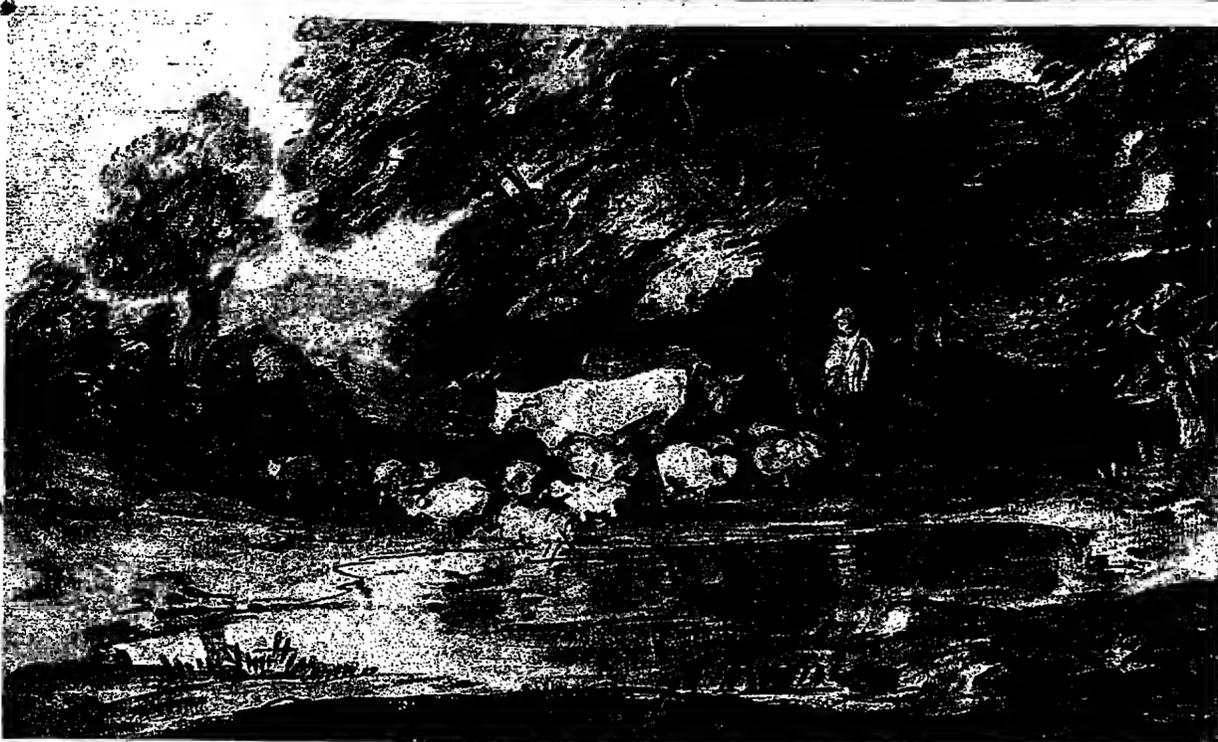
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ARTS



'Sheep and Cattle with Herdsmen by a Pool' by Thomas Gainsborough

Two artists with a way with paper

Two exhibitions of works on paper - by the young modern painter Marlene Dumas and the 18th-century master Thomas Gainsborough - could hardly present a greater contrast...

So with the landscape drawings of Thomas Gainsborough at the Courtauld Institute, where the point is reinforced by comparative examples from his peers, followers and lesser imitators...

studies from life that were so popular so much as the landscape idylls. What made them irresistible was their combination of apparent eccentricity of manner, their loose, mopped and scribbled effects...

group, which is intended to convey an intense but yet entirely spiritual sensuality, or the more obviously sexual 'Magdalena'.

erotic attraction, I am struck by the complexity of my emotions. It is a mixture of beauty, vulnerability, love, fear and disgust, almost simultaneously, but how to paint or draw that? Oh dear.

Theatre/Sarah Hemming The Thickness of Skin

The Royal Court's little Theatre Upstairs is certainly on a roll. Scarcely has Martin McDonagh's wonderful The Beauty Queen of Leenane vacated the space...

ing, Eddie, her unconventional lodger (Mark Strong), has charm and self-respect, but a huge chip on his shoulder about being told what to do by women...

Concert/Richard Fairman

Kremer and the Philharmonia

It is sometimes a good idea to have a major soloist to lead the audience by the hand. The Philharmonia was rewarded for the last in its series of concerts with the violinist Gidon Kremer last week...

Stravinsky's arrangements of two discarded brief sections from Tchaikovsky's Sleeping Beauty. The main work, however, was still to come. This was Schmitt's Violin Concerto No. 4...

Opera in Turin/Andrew Clark

Full house for 'Il corsaro'

The Turin production, conducted by Evelino Pido and staged by Mauro Avogadro, offered an antidote to both extremes. It underlined that while Il corsaro may not be a great opera, there are enough traces of Verdian genius to justify occasional performance...

we know equally well that when he started the project, he was seized by the dramatic possibilities of Byron's poem. Here is a swashbuckling corsair who leaves his beloved to attack the Turks...

Act 3 prison diet. Every performance finds this singer gaining in confidence and polish all he needs is a stronger director to develop his stage personality...

scenes, a forest glade for the harem, a handful of column stumps for the Pasha's lair - was of the minimalist variety, its chief attraction being the sophisticated colouring of the illuminated backdrops...

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COMPANIES AND FINANCE: UK

CINVen to bid for Signet's UK chains

By Simon Kuper

CINVen, the venture capitalist, has emerged as a bidder for Signet's UK jewellery chains. The company is thought to be acting on its own account, with Mr Graham Keniston-Cooper, a director, leading its bid for the H Samuel and Ernest Jones chains. CINVen has refused to comment. It has also been confirmed that Argos, the catalogue retailer, is among the bidders, which are thought to number seven.

VCR's US buyer plans growth

By Roger Taylor

Venture Capital Reports, the UK's leading business angel introduction agency, has been bought by Mr David Amis, a US entrepreneur, who plans to expand the operations overseas. VCR publishes newsletters and organises seminars to help raise money from private investors, called business angels, for companies which are too small to apply for traditional sources of equity finance, such as venture capitalists.

Rentokil undecided on raising BET bid

By Geoff Dyer

Rentokil, the industrial services group, said yesterday that it had not made a decision about whether to raise its hostile takeover £1.9bn bid for rival BET. The group was responding to reports over the weekend that it was preparing to lift its 204% cash and paper offer by a further 10p. Rentokil has until Friday to decide whether to raise the offer, declare the existing one final or let it lapse. It is not expected to make its final decision until then.

Investors fear there's only one Man United

Football shares have a new popularity. Patrick Harverson and Simon Kuper report



Market is his goal: Andy Hunt, right, of West Bromwich takes on Sheffield United's Roger Nielsen

Spring is in the air and the stock market's romance with football is blossoming. Only a few years ago, the tiny handful of listed clubs tended to be regarded in the City as high-risk investments, best left to diehard fans with more money than sense. The professional investors stayed well away. Mr Nigel Hicks, leisure analyst at Pammure Gordon, says: "Fund managers didn't want to hold the stocks because trustees would ask, 'What the hell are you doing holding a football club?'"

Such has been the interest in the sector that shares in the three clubs on Ofex have risen sharply. Between mid-February and mid-March, Arsenal rose 14 per cent, Manchester City 19 per cent (despite the club's poor performance on the field) and Rangers, of the Scottish Premier League, jumped 25 per cent.

Although most shares on Ofex are held by only a few investors and are thus susceptible to volatility, the recent gains seem part of a broader pattern. Celtic, quoted on the Alternative Investment Market, saw its shares jump 38 per cent in the same period while even the shares of lowly Preston North End rose 7.5 per cent in March.

The sale of television rights, grants for stadium redevelopment and greatly increased revenues from merchandising and other commercial activities have helped football reinvent itself. Mr Hicks points to the quality of the new earnings. "A very large proportion of Man Utd's revenues - shoe contracts, TV deals and so on - are guaranteed years in advance."

WEEKEND SHARE WATCH

A digest of Saturday and Sunday comment on UK companies

Lonrho

Lonrho was unavailable for comment on a story in the Sunday Times that Anglo American wants to secure an option over the 18.5 per cent stake held by Mr Dieter Bock, Lonrho's chief executive. The Financial Times reported three weeks ago that Mr Bock had given the South African group first right of refusal on his holding should he sell. Anglo has said it has no plans to bid for Lonrho as a whole.

Greycoat

Greycoat, the property group, has pulled out of the £165m sale of its highest asset to a Deutsche Bank investment fund, the Observer reports. The buildings, at 123/151 Buckingham Palace Road, account for 40 per cent of the company's portfolio. There was no comment from the company. "A serious approach" for the properties was first reported last month.

Amec

Amec, the construction group, is expected to announce the £170m sale of Fairclough, its housing subsidiary, when it reports full-year figures on Thursday, according to The Mail on Sunday. News of restructuring has been expected for some time but the company was unavailable for comment on speculation that Beazer Homes, Redrow, Wilson (Connolly) or Taylor Woodrow would be the buyer.

Eurotunnel

Refinancing talks between Eurotunnel and its 225 banks are unlikely to be completed before the autumn, according to a report in The Sunday Times. Negotiations over Eurotunnel's £8bn debts have missed the company's initial March deadline and bankers have said there was little sign of breaking the deadlock.

PowerGen in Indian power station deal

By Roger Taylor

PowerGen, the UK's second largest electricity generator, is part of a consortium which has won a contract to build and operate a £400m power station in the Indian state of Gujarat. PowerGen is investing about £30m giving it a 20 per cent stake in the project. The other members of the consortium are Siemens, the German engineering group which will build the station, and two Indian companies, Torrent Group and the Gujarat Power Corporation. The deal is backed by an agreement from the state of Gujarat to buy electricity from the new station for 20 years.

BAe finance director to become Amersham chairman

By Bernard Gray, Defence Correspondent

Mr Richard Laphorne, finance director of British Aerospace, will take over as non-executive chairman of Amersham International, the medical diagnostics company, after Amersham's annual meeting this summer. However, the move does not herald Mr Laphorne's departure from BAE, or any shake-up of the BAE board. Mr Laphorne has made it clear to institutional investors and the BAE board that he does not regard his job with the group as finished.

With BAE's worst financial problems largely sorted out, Mr Laphorne has stepped away from some of the day-to-day financial management and is now sharing that work with his deputy, Mr George Ross. Despite that, Mr Laphorne has always maintained that he has no ambitions to become chief executive in succession to Mr Dick Evans, the current chief executive.

Mr Laphorne works well, and is keen to avoid further disturbance after the turbulence of recent years. The next two years are also viewed as critical for the company's strategy, with the future shape of the European defence industry likely to become clear. BAE is taking a leading role in discussions about how the industry might rationalise and consolidate, and the company feels it needs both Mr Evans and Mr Laphorne in their current roles to complete any negotiations. "With everything that is going on in Europe, the company may well have a very different shape in two years time, so speculating about who might run which parts of the European defence industry so far in the future is pretty idle," said one BAE executive.

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COMPANIES AND FINANCE: INTERNATIONAL

NEWS DIGEST

Airtouch to acquire rest of Cellular One

Airtouch, the US cellular telephone company, has announced an agreement to buy the 80 per cent of Cellular Communications it does not already own in a deal which the company valued at \$1.65bn.

Richard Waters, New York

IBM, Matsushita in network link

IBM and Matsushita are to co-operate in providing computer network services in Japan in a link that could extend to international markets.

Michio Nakamoto, Tokyo

Daiei boosts full-year forecast

Daiei, Japan's largest supermarket chain, has increased its consolidated earnings projections for the year to February ahead of its official profit announcement later this month.

Emiko Terazono, Tokyo

Gold mine setback for North

Plans by North, the Melbourne-based resources group, to develop an A\$177m (US\$139m) gold mine at Lake Cowal in central New South Wales have been dealt a blow by the state government, which has decided to block the project on environmental grounds.

Nikki Tsui, Sydney

Kenya Airways float popular

The Kenyan public's interest in the Kenya Airways flotation, the largest in the country's history, has exceeded all expectations and the lead stockbrokers in charge of the offer say it could be oversubscribed by up to 200 per cent.

Michela Wrong, Nairobi

Viacom joins Kirch in five-year alliance

By Wolfgang Münchau in Frankfurt

Viacom, the US entertainment giant, and Kirch-Gruppe, the German media group, have formed a five-year strategic alliance.

The deal is aimed at giving Viacom a foothold in Germany and strengthening Kirch's grip on the distribution rights of US-produced films and television shows.

Under the terms, Kirch has secured the television rights for German-speaking territories on all films and TV shows produced by Paramount Pictures, a Viacom subsidiary, during the five-year period.

These rights will be extended to cover the whole of continental Europe for some TV shows and films. The agreement also extends Kirch's existing rights to Paramount's programming library.

For Kirch, the deal is another step in the race for the leadership in digital TV, which will offer interactive television, including home shopping and video on demand.

As part of the deal, Kirch agreed to carry several of Viacom's networks, including MTV Europe and the VH-1 Germany music channels, and a programming block of Nickelodeon, a Viacom children's TV network.

Viacom has also secured an option for a 12 per cent stake in Gestevisión Telecinco, which owns Estudios Telecinco, a Spanish television network. The two companies said they planned to launch other co-operative ventures.

Kirch, which runs the Sat 1 television network in Germany, owns the largest film and TV archive in Europe. Viacom is one of the world's largest media companies. It includes Paramount Pictures, Paramount Television, Blockbuster, the video rental group, MTV, and Simon & Schuster, the publishing company.

Chrysler to sell defence activities to Raytheon

By Richard Waters in New York

Chrysler has agreed to sell its defence electronics and airborne systems businesses to Raytheon for \$475m, marking what is likely to be the largest of the disposals it promised when reaching a truce with Mr Kirk Kerkorian in February.

The US carmaker had said as long ago as 1990 that it planned to sell its non-automotive businesses.

However, it took pressure from Mr Kerkorian, the company's biggest shareholder, for Mr Bob Eaton, Chrysler's chairman, to deliver on that promise.

Raising cash through asset sales was one of the conditions for the five-year standstill agreement reached between Raytheon for \$475m, marking what is likely to be the largest of the disposals it promised when reaching a truce with Mr Kirk Kerkorian in February.

For Raytheon, meanwhile, the purchase is the latest in a string of acquisitions in the defence and electronics areas. Last year, the company paid \$3.3bn for B-Systems, part of whose business operates in direct competition with the Chrysler operations being acquired.

Raytheon is buying two of the businesses of Chrysler Technologies, while a third, Pentastar Electronics, will be retained by the carmaker. Chrysler Technologies as a whole had sales of nearly \$500m last year, Raytheon said.

After the sale, which is subject to anti-trust review, Chrysler's non-automotive businesses will comprise Pentastar and two rental car companies, Thrifty and Dollar.

The carmaker has also attempted in the past to sell some of its parts-making operations, though opposition from the United Auto Workers union has blocked the move.

Like Ford Motor, for instance, Chrysler has been prevented from selling its glass-making business.

News of the disposals comes before next week's release of first-quarter earnings, which are expected to show a strong performance at the smallest of the big three carmakers.

A year ago, Chrysler's earnings were hit by a sluggish new vehicle market in the US and the cost of switching to a new model of its popular minivan. This year, the minivan has been selling strongly, as has another high-margin vehicle, the Jeep Grand Cherokee.

Mr David Healy, an auto industry analyst at Burnham Securities, predicted Chrysler would report earnings per share of \$2.45 for the first quarter, well above the \$1.83 of a year ago and ahead of the \$2.30 Chrysler recorded at the beginning of 1994.

The company's margins could eventually come under pressure from growing competition in its most profitable vehicle lines. Mr Healy said, with a new minivan from General Motors this autumn and an array of manufacturers targeting the luxury sports-utility market.



Bob Eaton, following through on promise made in 1990

Komerční Banka plans executive share options

By Vincent Boland in Prague

Exponents of the Anglo-Saxon brand of capitalism are about to score a rare and notable success in the Czech Republic after the country's leading bank said it intended to introduce a share options package for senior executives as part of their annual remuneration.

Komerční Banka, the dominant commercial bank, will reward seven members of its management board with share options on the basis of its 1995 results, which were greeted warmly by the market when they were unveiled last week.

ground for Czech banks in other key areas, is the first big privatised company to introduce such a scheme. It amounts to a revolutionary step in the conservative Czech business world, which to the disappointment of US-style bankers and stockbrokers is developing along German or continental lines.

Dr Richard Salzmann, chairman and chief executive of Komerční, said the options scheme was offered and approved by the bank's supervisory board. It was considered appropriate, he said, "on the basis of experience from Anglo-Saxon countries".

The package's value will be based on the bank's annual profits and on the achievement of targets, including an increase in Komerční's share price, which has risen sharply since the beginning of the year.

"It is a form of motivation that is very advantageous for the bank," Dr Salzmann said.

The share price rose 6 per cent last Wednesday, after the bank disclosed better-than-expected profits of Kc5.1bn (\$188m) after tax and a dividend that could reach 20 per cent of each share's nominal value of Kc500. Profits for this year are forecast to be higher again.

Dr Salzmann would not disclose the value of the scheme to the executives, which include himself. He said the size of each director's 1995 options package would be disclosed in the annual report for 1996.

Komerční is considered to be the most restructured of the four main Czech banks. It was the first Czech bank to undergo an audit by international accountants, the first to launch a global depository receipt programme, and the first to issue a eurobond, which CS First Boston is about to bring to the market.

The bank's success in provisioning its loan portfolio - the Achilles heel of every Czech bank - has attracted strong interest in its shares from foreign portfolio investors, who regard it as a bellwether of the growing economy.

It remains to be seen whether Komerční's move to give its senior people a stake in its success will be followed by other Czech companies.

There are obstacles to the widespread advance of share options packages, including the fact that at many companies management is not independent of its main shareholder for whom the performance of the share price is often less important than control of the company.

Nevertheless, experience has shown that where Komerční ventures, other Czech companies, and especially banks, usually follow.

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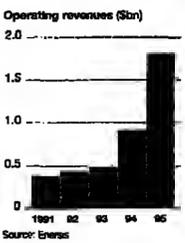
COMPANIES AND FINANCE: INTERNATIONAL

Enersis aims to turn Light into profit

Chile's power conglomerate is preparing a bid for the Brazilian company to maintain its high growth rate, writes Imogen Mark

Enersis, Chile's largest power conglomerate, is moving into the spotlight as it prepares a bid for a much bigger Brazilian state company. Its target is Light, distributor for the city of Rio de Janeiro, which sells 19,961 GWh (giga-watt/hours) a year. By contrast, all of Chile consumes only 19,940 GWh of electricity a year. The minimum price tag on Light is \$2.8bn.

Enersis



Source: Enersis

Net Income (\$m)



Source: Enersis

Customers, 1995 (m)



Source: Enersis

Barney's could put Isetan in the red

By Emiko Terazono in Tokyo

Isetan, a leading Japanese department store operator, could go into the red for the first time in 35 years because of losses resulting from the bankruptcy proceedings of its US partner, Barney's of New York.

The Japanese department store operator said it had yet to be decided whether or not or how much of the losses relating to Barney's, whose Chapter 11 bankruptcy proceedings began in January, would be included in its consolidated earnings.

Codelco-AMP venture to woo pension funds

By Imogen Mark in Santiago

An alliance between Codelco, the Chilean state-owned copper corporation, and AMP, Australia's biggest pension fund manager, plans to become Latin America's first mining house, according to Mr Jorge Bände, managing director of AMP Investments, Chile.

The venture aims to become one of the top 30 companies on the domestic stock market. It will be formed as a holding company with initial assets of \$20m. AMP will contribute \$5m in cash, and take 51 per cent of the company.

large proportion of the companies which trade in the Chilean stock market. Mr Valenzuela said there was considerable interest among the pension fund managers in the possibility of investing with Codelco.

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FINANCE

# The consensus way with governance

Norma Cohen on changing relations between investors and companies in the Netherlands

The Amsterdam Stock Exchange's top priority for 1996 is corporate governance. Corporate governance? In the Netherlands?

In his turn of the year address to stock exchange members, Boudewijn Baron Van Hiersum, chairman, said that relations between listed companies and their shareholders must be improved. "I deeply regret that - partly as a result of the long-running debate on these issues - the relations between listed companies and shareholders' representatives are not all they could be," he said.

"The more active role being taken by investors is still experienced by too many companies as a threat, while it could - if taken seriously - function to support an effective corporate policy."

In recent weeks, the Amsterdam exchange, in co-operation with the Dutch Association of Stock Exchange Listed Companies, set up a committee to make recommendations on best practice for company directors and supervisory boards.

But the interesting question is why corporate governance is now becoming an issue of such pressing concern in the Netherlands.

Unlike their German counterparts, Dutch companies have been relatively free from the sorts of corporate banana skins which have fueled a drive for higher standards of corporate governance there. They have also avoided the corporate corruption scandals which have dogged some French companies and sparked an outcry among their investors.

Moreover, by European standards at least, the Dutch markets have provided good returns over the years.

However the Netherlands looks undervalued when viewed on a p/e basis with companies trading at only 12.9 against 15.6 for other European exchanges. However, Mr Richard Davidson, European equity

FUND MANAGEMENT

strategist at Morgan Stanley International, says this may reflect differences in accounting practices.

There is one facet of the Dutch market which may lead to underperformance. "Dutch anti-takeover mechanisms are tougher than most continental countries," Mr Davidson notes. For instance, companies are allowed to issue a block of new shares to a "friendly" company to prevent a hostile bid.

And many shareholders are issued "trust" shares which give them economic rights but not voting rights over a company's affairs. The trusts are appointed largely by management and shareholders have no mechanism for making their views heard.

Moreover, there is no system of proxy voting at Dutch corporate annual meetings.

The Dutch finance minister has said that the anti-takeover mechanisms are not good for domestic industry and has proposed modifications to allow hostile takeovers in some circumstances.

But these protective measures have been in place for years. Government prodding aside, the question is why corporate governance has only now become an issue. Observers say the answer lies in the changing nature of domestic investment.

"The pension funds themselves haven't used their influence up until now," says Mr Robert Ten Wolde, general secretary of the Association of Industry-Wide Pension Funds. But in recent years, the need to obtain higher rates of return has prompted pension schemes to diversify out of fixed-interest securities and into equities.

"Some pension schemes have 25 to 30 per cent of assets in equities and some will move to 40 per cent," he says. "Pension

funds are more and more considered profit centres for companies."

Pension fund investors cannot afford to be complacent in the face of corporate mediocrity, he adds.

Only this year, the ABP pension scheme, the world's second largest with F1 196bn in assets, has been freed of all government restrictions on its investment decisions. By 2000, its total equity investment is expected to rise from F1 51bn to F1 85bn.

According to Mr Michel Meijs of ABP the pension scheme is "recently redefining its position as a shareholder in Dutch companies in order to protect long-term shareholder value". It intends to appoint a member of staff whose sole duty will be to concentrate on corporate governance matters.

He adds that in some measure, Dutch shareholders are simply adopting a page from the textbook written by their US and UK counterparts who argue that active shareholders can force complacent management to improve performance.

But it is not clear that culturally, either shareholders or companies are prepared to adopt the muscular approach to corporate governance which has characterised US investors. ABP, for instance, says it "does not intend to intervene in a company's strategic management decisions".

Mr Ernst Enschede, bureau director of the Dutch Association of Stock Exchange Listed Companies, says that the Dutch concept of the corporation will not be readily amenable to the much handling of the current structure.

"There are more stakeholders than shareholders in a company," he says. "If shareholders are unhappy, they can vote with their feet."

But if large shareholders are unhappy with the way a company is being run, he says, it is unlikely that management will turn a deaf ear. "We are a consensus-driven society," Mr Enschede says.

## Picking winners: Hambrecht looks to home

For Bill Hambrecht, one of California's most successful high-tech investors, life has settled into a familiar pattern, Richard Waters writes. First, he puts up the money for a new business; then, picks a moment when the stock market has whipped itself into a hysteria over the money to be made in high-tech industries, and sells out.

The difference this time is that the company Hambrecht is considering taking public is his own.

Hambrecht & Quist is one of a handful of San Francisco banks the fortunes of which have blossomed alongside those of Silicon Valley.

Recent H&Q companies to have made a splash include Netscape, which exploded on to the stock market last year. Though, as with most other public offerings handled by a boutique investment bank, a better-known Wall Street house was in tow - in Netscape's case, Morgan Stanley. Past H&Q successes have included Apple Computer and Genentech, the US's second-biggest biotech company.

Hambrecht, 60, has always been more of a venture capitalist than a banker. He is said to spend most of his time marshalling investments both for the bank and his own portfolio. But the two sides of Bill Hambrecht seem to sit comfortably together. As mementoes, H&Q slaps "tombstone" announcements for its deals on bottles of Cabernet Sauvignon produced at Hambrecht's own Belvedere winery.

If H&Q does decide to go public later this year, it is likely to mark something of a passing of the generations. It would give Hambrecht a chance to cash in some of his stock, along with the bank's other principal shareholders, who include the widow of former partner George Quist, who died in 1982.

## Deloitte's Baltic banking rendezvous

Tony Houghton, partner at Deloitte & Touche, the UK accountancy firm, is packing his bags for Riga for one of this year's most exotic liquidation assignments - Latvia's Bank Baltija, George Graham writes.

Houghton and his colleague David Berrey, director of Deloitte's Latvian practice, were appointed liquidators of Baltija last week by the Riga regional court. Until its collapse last year, Baltija was the biggest bank not only in Latvia but in all the Baltic republics. It is reputed to owe more than \$400m to some 150,000 creditors.



Richard Sermon: minding the European PR shop at Goldman Sachs since 1992

Putting Latvia's brand new bankruptcy law into practice should not prove too challenging for Houghton. As co-author of Deloitte's "Guide to Insolvency in Europe," he can turn his hand to the full range of bankruptcy codes.

Houghton promises to "bring to bear the techniques successfully employed in dealing with the global asset-tracing requirements of BCCI."

The Riga court must be hoping that the fees don't climb as high as for BCCI. Deloitte has already billed nearly \$300m, while recovering \$3.3bn of assets for creditors, and is having to contest a Luxembourg report claiming it overcharged in the immediate aftermath of the bank's collapse.

The Latvian liquidation business could be a promising sector. Alongside Baltija, nine other banks became insolvent last year. European Union advisers to the Bank of Latvia say the

number of banks is likely to halve, though the next wave of consolidation could be achieved in a more orderly way than the last.

## Veba's Lank cracks US accountancy code

Kurt Lank finance director at Veba, used to quake at the thought of having to visit Scottish Widows, the Edinburgh-based pensions fund with holds a stake in the German conglomerate, Michael Lindemann writes.

There, Lank says, young and "very tough" analysts used to pull apart Veba's figures and want to know the reasoning behind every move the Düsseldorf-based group made in order to justify the fund's investment.

His Edinburgh visits should henceforth be rather less intimidating,

following completion of two-year negotiations with the US Securities and Exchange Commission, as a result of which Veba has become only the second German company after Daimler-Benz to file accounts which meet the US-based Generally Accepted Accounting Principles standards.

No doubt the 49-year-old Lank picked up some of his stamina while studying theology at Tübingen University. He honed his skills at Boston Consulting, and has been at Veba since 1992.

As to when his efforts will be crowned with a New York Stock Exchange listing, Lank remains silent. It will only happen, he says, when Veba can accompany the listing with a rights issue so that more equity stays in the US.

That could be at any time. Veba has a 10.5 per cent stake in Cable & Wireless, the London-based telecoms group which is in merger talks with British Telecommunications. If the deal comes off, Veba is unlikely to be content with a diluted stake in a larger group, and may reach for more cash.

## Investment banks brush up their image

It is all change at the public relations departments of the investment banks, Nicholas Denton writes. No fewer than four large institutions have been searching for new heads of corporate communications in London.

The number of changes reflects a combination of natural turnover and the growing importance placed by investment banks on their reputations - not just among their closest clients, but in a wider business community which is often reached through the media.

Morgan Stanley, the US investment bank, and SBC Warburg, the division of Swiss Bank Corporation, are understood to have identified outside candidates to take the positions. The appointee to the new Morgan Stanley post will report to Amelia Fawcett, an executive director.

The new head of corporate communications at SBC Warburg will replace Jens Tholstrup, who is returning to the corporate finance department from which he was plucked last year.

Meanwhile Goldman Sachs is breaking with its former practice and is discreetly looking for its first in-house head of corporate communications for Europe. The appointee would take over from a team led by Richard Sermon, on secondment from Shandwick, the British PR outfit, since 1992.

And J.P. Morgan is still in the market for a number two who would likely take over from Joe Evangelisti when he returns to the US next year.



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BUT NOT AT ANY PRICE.

Nothing ventured, nothing gained. Popular wisdom at its proverbial best. And any entrepreneur worth his salt knows that risk is an intrinsic part of business life. But if you risk too much, it's all too easy to stumble and fall. During its more than 240 years of corporate history, Haniel's approach to entrepreneurial risk has always been

marked by a strong sense of responsibility. Naturally, during our successful transformation from a trading house to a major corporation with a turnover of DM 24 billion and a world-wide workforce of 35,000 employed in production, trading and services, we've obviously taken more than a few risks. But not at any price. We've never gone in for speculative operations, and have always sought a healthy balance between the potential risks and benefits. Moreover, we see to it that our liquidity

is never in doubt. One thing's for certain: by strictly adhering to these principles, we've never once lost our balance while weighing out the risks of doing business.

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MARKETS: This Week

EMERGING MARKETS By Vincent Boland in Prague

Czechs plan tighter bourse rules

A curious advertisement appeared in a Czech newspaper last month. In it a Russian-born "financier", Mr Alim Karmov, informed more than 2,000 customers of his Prague-based Futurum Aurum investment house that he had "cheated" them out of nearly \$5m of their savings, and begged their forgiveness.

the country's capital markets. But the slow response of the authorities to what many commentators considered an obvious case of fraud sent a fresh chill through the spines of wary investors on the Prague bourse, where the sharks have taken to feasting on the minnows.

and the obligatory buy-out of minority shareholders. Among the more important changes, an investor who acquires 50 per cent or more of a company must offer to buy out other shareholders; two-thirds of shareholders in a company must approve its delisting from the market; and an investor must disclose the size of any stake bigger than 10 per cent as well as notifying every change of 3 percentage points or more in that stake.

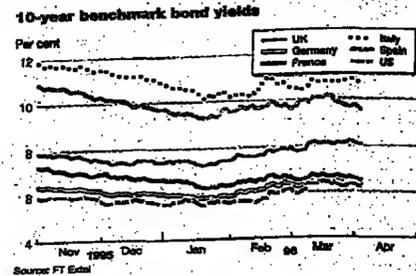
markets, said the ministry was planning "no substantial" strengthening of its market supervision section, which has been stacked for lax monitoring, to ensure greater enforcement.

INTERNATIONAL BONDS By Samer Iskandar

Convertible issuance pace begins to accelerate

The pace of convertible bond issuance accelerated sharply in the first quarter of 1996. According to IFR Securities Data, 62 deals worth \$10.83bn were issued in the international marketplace, compared with 24 issues amounting to \$1.81bn in the first quarter of last year and a total of \$17.82bn in 1995.

some recent issues, such as Tokai Bank's ¥100bn deal and Nortel's recent \$350m issue. The latter, convertible into shares of Telecom Argentina, is the first Latin-American issue of mandatory exchangeable securities and only the second convertible issue in the region.



INTEREST RATES AT A GLANCE

Table with columns for Country (USA, Japan, Germany, France, Italy, UK) and Interest Rate types (Discount, Overnight, Three month, One year, Five year, Ten year). Values are in percentage.

structured deal for Nederlandse Gasunie. The combined amount of both issues, ¥1400m, is modest but the transactions helped to confirm the existence of demand for such products. In addition to the guarantee on the initial capital and a coupon yield of between 4 and 4 1/2 per cent, what attracted investors to these deals was the chance to benefit from the performance of the index, should the individual share underperform the market.

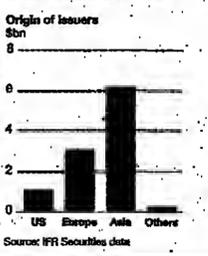
ING BARING SECURITIES EMERGING MARKETS INDICES

Table showing weekly, monthly, and year-to-date movements for various emerging market indices including World, Latin America, Europe, Asia, and others.

Bankers say the current lack of adequate supervision is hurting Czech shares. Mr Zdenek Bakala, chairman of the investment bank Patria Finance, said that despite a better economic environment, Czech stocks were underperforming those in Poland and Hungary by a factor of three or four because of the market's structural problems.

Meanwhile, several large-scale redemptions of convertible bonds - including early retirement of callable paper - injected liquidity into the already cash-rich market. Modifications in the structure of recent deals reflected a shift in the requirements of issuers. For example, conversion of the bonds into the underlying shares was made mandatory in

Convertible bonds



Furthermore, most recent issues have shown poor performance after their launch. The Deutsche Finance paper was trading below its issue price at the end of last week and TB Finance's bonds convertible into shares of Tokai Bank slipped to 99, a full percentage point below their initial price, despite generous pricing at the cheapest end of the range announced by the lead manager.

According to the head of syndication at an American investment bank, "many existing deals are now out of the money and behave like straight bonds. Dedicated convertible funds look for bonds with a conversion premium in the 30 to 40 per

IICG Bahrain advertisement. Includes logo and a grid of services: AIRCRAFT FINANCING, AVIATION FUEL FINANCING, BAI SALAM FINANCING, COMMODITY FINANCE, ECA FINANCING, EQUIPMENT FINANCING, EQUIPMENT LEASE FINANCING, EQUITY PLACEMENT & UNDER-WRITING, EQUITIES PORTFOLIO MANAGEMENT, EQUITY UNDER-WRITING, EQUITY UNDER-WRITING, NATURAL GAS FINANCING, PRE-EXPORT / IMPORT FINANCING. Contact info: P.O. Box 11454 - Manama - Bahrain - Tel: (973) 536100, Fax: (973) 536206.

NEW INTERNATIONAL BOND ISSUES table. Columns: Issuer, Amount (\$m), Maturity, Coupon, Price, Yield, Launch spread, Book-runner. Lists various international bond issues.

Commerzbank AG advertisement. Text: "has sold 2.066.500 shares in THYSSEN AKTIENGESELLSCHAFT for a consideration of DM 575 million. These shares were distributed to investors worldwide by Commerzbank AG and UBS Limited." Includes logos for Commerzbank and UBS.

Handwritten Arabic text: "صكنا من الامل"

سكنا من الامل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Table with columns: Country, Closing mid-price, Change on day, Bid/offer spread, Day's mid high/low, One month rate, Three months rate, One year rate, Bank of England index.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Country, Closing mid-price, Change on day, Bid/offer spread, Day's mid high/low, One month rate, Three months rate, One year rate, J.P. Morgan index.

WORLD INTEREST RATES

Table with columns: Country, Term, Rate, and various interest rate indicators.

CROSS RATES AND DERIVATIVES

Table with columns: Country, Bid, Offer, and various cross rates.

FT GOLD MINES INDEX

Table with columns: Mine Name, Price, and other index-related data.

MONEY RATES

Table with columns: Country, Term, Rate, and money market indicators.

EXCHANGE CROSS RATES

Table with columns: Country, Bid, Offer, and exchange rates.

FT GUIDE TO WORLD CURRENCIES

Text providing a guide to world currencies, including a table of major currencies and their values.

EURO CURRENCY INTEREST RATES

Table with columns: Country, Term, Rate, and Euro currency interest rates.

UK INTEREST RATES

Table with columns: Term, Rate, and UK interest rate data.

LONDON RECENT ISSUES: EQUITIES

Table with columns: Issue Name, Price, and London equity market data.

US TREASURY BOND FUTURES (CBT) \$100,000

Table with columns: Date, Open, High, Low, and US Treasury bond futures data.

BANK RETURN

Table with columns: Department, Assets, Liabilities, and bank return data.

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns: Bill Type, Amount, and Bank of England tender data.

US TREASURY BILL FUTURES (IMM) \$1m points of 100%

Table with columns: Date, Open, High, Low, and US Treasury bill futures data.

UK GILTS PRICES

Table with columns: Gilt Name, Price, and UK gilt prices.

BASE LENDING RATES

Table with columns: Bank Name, Rate, and base lending rates.

US TREASURY BOND FUTURES (CBT) \$100,000

Table with columns: Date, Open, High, Low, and US Treasury bond futures data.

US TREASURY BILL FUTURES (IMM) \$1m points of 100%

Table with columns: Date, Open, High, Low, and US Treasury bill futures data.

US INTEREST RATES

Table with columns: Term, Rate, and US interest rates.

STOCK INDEXES

Table with columns: Index Name, Value, and stock index data.

OTHER FIXED INTEREST

Table with columns: Instrument Name, Rate, and other fixed interest data.

SPAIN

Table with columns: Instrument Name, Rate, and Spain market data.

Large advertisement for 'A new Euroyen hedge is coming. Watch this space.' featuring a stylized 'X' graphic and the LIFE TIFE logo.

WORLD STOCK MARKETS

Main table containing stock market data for various regions including Europe, Asia, Africa, and Americas. Columns include country, stock name, price, and change.

Advertisement for Rockwell: 'By meeting customer needs, Rockwell has become a world leader in components and systems for cars, trucks and trailers. Rockwell logo and text.

INDEXES section containing summary data for various market indices such as S&P 500, Nikkei, and others.

STOCKS section containing detailed data for individual stocks, including company names, prices, and market activity.

Large vertical advertisement on the right side of the page, featuring the text 'Securities' and 'Jobs' and a 'LEGAL NOTICE' at the bottom.



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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing Bermuda (SIB Recognised) funds including Royal Bank of Canada US Fd Mgrs Ltd, Fidelity Currency Funds Ltd, and others with columns for Name, Code, and Price.

BERMUDA (REGULATED)\*\*

Table listing Bermuda (Regulated) funds including Bermuda Int'l Invest Mgmt Ltd, Bermuda Int'l Invest Mgmt Ltd, and others with columns for Name, Code, and Price.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey (SIB Recognised) funds including ASI Investment Managers (Guernsey) Ltd, ASI Investment Managers (Guernsey) Ltd, and others with columns for Name, Code, and Price.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB Recognised) funds including ASI Fund Management Ltd, ASI Fund Management Ltd, and others with columns for Name, Code, and Price.

IRELAND (REGULATED)\*\*

Table listing Ireland (Regulated) funds including ASI Fund Management Ltd, ASI Fund Management Ltd, and others with columns for Name, Code, and Price.

GUERNSEY (REGULATED)\*\*

Table listing Guernsey (Regulated) funds including ANZ Mgmt Co (Guernsey) Ltd, ANZ Mgmt Co (Guernsey) Ltd, and others with columns for Name, Code, and Price.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey (SIB Recognised) funds including ASI Investment Managers (Guernsey) Ltd, ASI Investment Managers (Guernsey) Ltd, and others with columns for Name, Code, and Price.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB Recognised) funds including ASI Fund Management Ltd, ASI Fund Management Ltd, and others with columns for Name, Code, and Price.

IRELAND (REGULATED)\*\*

Table listing Ireland (Regulated) funds including ASI Fund Management Ltd, ASI Fund Management Ltd, and others with columns for Name, Code, and Price.

DELTA EUROPE FUND MGRS TRUST LTD

Table listing Delta Europe Fund Mgrs Trust Ltd funds including Delta Europe Fund Mgrs Trust Ltd, Delta Europe Fund Mgrs Trust Ltd, and others with columns for Name, Code, and Price.

ISLE OF MAN (REGULATED)\*\*

Table listing Isle of Man (Regulated) funds including AXA Equity & Law Int'l Fund Mgrs, AXA Equity & Law Int'l Fund Mgrs, and others with columns for Name, Code, and Price.

ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man (SIB Recognised) funds including AXA Equity & Law Int'l Fund Mgrs, AXA Equity & Law Int'l Fund Mgrs, and others with columns for Name, Code, and Price.

ISLE OF MAN (REGULATED)\*\*

Table listing Isle of Man (Regulated) funds including AXA Equity & Law Int'l Fund Mgrs, AXA Equity & Law Int'l Fund Mgrs, and others with columns for Name, Code, and Price.

DELTA EUROPE FUND MGRS TRUST LTD

Table listing Delta Europe Fund Mgrs Trust Ltd funds including Delta Europe Fund Mgrs Trust Ltd, Delta Europe Fund Mgrs Trust Ltd, and others with columns for Name, Code, and Price.

ISLE OF MAN (REGULATED)\*\*

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ISLE OF MAN (SIB RECOGNISED)

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ISLE OF MAN (REGULATED)\*\*

Table listing Isle of Man (Regulated) funds including AXA Equity & Law Int'l Fund Mgrs, AXA Equity & Law Int'l Fund Mgrs, and others with columns for Name, Code, and Price.

MERCURY FUND MANAGERS (SIB RECOGNISED)

Table listing Mercury Fund Managers (SIB Recognised) funds including Mercury Fund Managers (SIB Recognised) Ltd, Mercury Fund Managers (SIB Recognised) Ltd, and others with columns for Name, Code, and Price.

ISLE OF MAN (REGULATED)\*\*

Table listing Isle of Man (Regulated) funds including AXA Equity & Law Int'l Fund Mgrs, AXA Equity & Law Int'l Fund Mgrs, and others with columns for Name, Code, and Price.

ISLE OF MAN (SIB RECOGNISED)

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ISLE OF MAN (REGULATED)\*\*

Table listing Isle of Man (Regulated) funds including AXA Equity & Law Int'l Fund Mgrs, AXA Equity & Law Int'l Fund Mgrs, and others with columns for Name, Code, and Price.

INVESTCO INTERNATIONAL LIMITED - GIBRALTAR

Table listing Investco International Limited - Gibraltar funds including Investco International Limited - Gibraltar, Investco International Limited - Gibraltar, and others with columns for Name, Code, and Price.

ISLE OF MAN (REGULATED)\*\*

Table listing Isle of Man (Regulated) funds including AXA Equity & Law Int'l Fund Mgrs, AXA Equity & Law Int'l Fund Mgrs, and others with columns for Name, Code, and Price.

ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man (SIB Recognised) funds including AXA Equity & Law Int'l Fund Mgrs, AXA Equity & Law Int'l Fund Mgrs, and others with columns for Name, Code, and Price.

ISLE OF MAN (REGULATED)\*\*

Table listing Isle of Man (Regulated) funds including AXA Equity & Law Int'l Fund Mgrs, AXA Equity & Law Int'l Fund Mgrs, and others with columns for Name, Code, and Price.

INVESTCO INTERNATIONAL LIMITED - GIBRALTAR

Table listing Investco International Limited - Gibraltar funds including Investco International Limited - Gibraltar, Investco International Limited - Gibraltar, and others with columns for Name, Code, and Price.

ISLE OF MAN (REGULATED)\*\*

Table listing Isle of Man (Regulated) funds including AXA Equity & Law Int'l Fund Mgrs, AXA Equity & Law Int'l Fund Mgrs, and others with columns for Name, Code, and Price.

ISLE OF MAN (SIB RECOGNISED)

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ISLE OF MAN (REGULATED)\*\*

Table listing Isle of Man (Regulated) funds including AXA Equity & Law Int'l Fund Mgrs, AXA Equity & Law Int'l Fund Mgrs, and others with columns for Name, Code, and Price.

S&B BANKS LUXEMBOURG SA

Table listing S&B Banks Luxembourg SA funds including S&B Banks Luxembourg SA, S&B Banks Luxembourg SA, and others with columns for Name, Code, and Price.

ISLE OF MAN (REGULATED)\*\*

Table listing Isle of Man (Regulated) funds including AXA Equity & Law Int'l Fund Mgrs, AXA Equity & Law Int'l Fund Mgrs, and others with columns for Name, Code, and Price.

ISLE OF MAN (SIB RECOGNISED)

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Table listing Isle of Man (Regulated) funds including AXA Equity & Law Int'l Fund Mgrs, AXA Equity & Law Int'l Fund Mgrs, and others with columns for Name, Code, and Price.

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Main table containing fund names, codes, and prices. Includes sections for 'OTHER OFFSHORE FUNDS' and 'OFFSHORE INSURANCES'.

Barney's could put Isetan in the red



MANAGED FUNDS NOTES
Please see the notes on the previous page for details on the FT Cityline Unit Trusts. The following notes apply to the funds listed on this page.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table of stock prices with columns for stock name, price, change, and volume. Includes sections for NYSE, NASDAQ, and various market indices.

Advertisement for Hewlett-Packard featuring a computer monitor and the slogan 'Time waits for no one. If the business decisions are yours, the computer system should be ours.' Includes the HP logo and website URL.

Handwritten text at the bottom of the page, possibly a signature or note.

Continued on next page

سوق الأوراق المالية

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, and change.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market listing various stocks with columns for stock name, price, and change.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, and change.

Advertisement for Warsaw World Business Newspaper, featuring the headline 'Have your FT hand delivered in Warsaw' and contact information.



# ASIA-PACIFIC TELECOMMUNICATIONS

## Winners in the east will inherit the earth

International telecoms concerns are fighting to boost their presence in the world's largest market. They face big obstacles, writes Alan Cane

The centre of gravity of the global telecommunications business is shifting towards the complex mixture of affluence and underdevelopment that is the Asia-Pacific region. The 31 countries of the region already constitute the world's largest market for telecoms products and services, according to the United Nations agency, the International Telecommunication Union (ITU). It accepts that the average telephone density across the Asia-Pacific region is just five per 100 people against a world average of 12 per 100, but goes on to point out the speed of the growth taking place: "In the coming five years," it affirms, "investment in the region's telecoms market is expected to exceed \$300bn."

sequence of the ceding of Hong Kong's sovereignty to China next year - seems to be no deterrent. BT is not alone among European operators in seeking to extend its influence in Asia. Last year Deutsche Telekom, Europe's largest operator, paid \$830m for a 25 per cent stake in Satelindo, the most recently formed of Indonesia's three telecoms companies. Significantly, Satelindo is a mobile phone operator. Mobile networks are cheaper and simpler to establish than fixed wireline infrastructures, and once deployed can dramatically cut the time a potential customer has to wait for a connection. It is estimated there could be 80m mobile phone users in the Asia-Pacific region by the turn of the century, more than in either Western Europe or North America. Telecoms operators from developed countries anxious to invest in the region are having to learn new ways of doing business. Mr Charles Vol of Telstra, the state-owned Australian operator which is planning to exploit its technical, marketing and financial expertise to develop operations in China, Vietnam, India and Indonesia observes that business in North America is based on law, in Europe on logic, and in Asia on relationships: "The negotiations never really end," he says. The Chinese, he points out, measure time in dynasties rather than years. It is a commonplace to note that the countries of the Asia-Pacific region are grouped together principally by geography rather than heritage, and can show startling differences in telecoms development. On the one hand Japan is home to NTT, the world's largest company by market capitalisation, with 60m lines and 473 lines per 100 head of population. On the other, the Philippines' largest operator, Philippine Long Distance Telephone, has less than a million lines for

a population of almost 70m, an average of 1.68 lines per 100 head of population. The region can be divided into three broad categories: mature markets such as Japan, Hong Kong and Singapore, maturing markets including Malaysia and Thailand and immature markets such as the Philippines and India. A common theme, however, is the speed and spurge with which each country is transforming its telecoms networks: "getting the infrastructure to the people," as Mr Vol puts it. Governments in the Asia-Pacific region understand that effective telecommunications underpins economic growth rather than the other way round. They are aware of the clear relationship between the number of telephones per head of population and foreign direct investment. The Chinese, for example, are laying new lines at the rate of 14.5m a year, a figure roughly equal to half the UK's fixed line network. They are paying for much of the expansion themselves. Earlier this year AT&T of the US signed a \$16m deal with China's Ministry of Posts and Telecommunications to equip China's Beijing-Kowloon trunk line. It will be the longest optical trunk line in China at 3,654m and is only one of 16 major trunk lines due to be completed by 2000. Other governments are seeking alliances and partnerships with Western companies to help meet the expense of boosting their telephone capacity. Basic telephony may not be enough, however, given the pace at which much of the rest of the world is moving towards the advanced communication services found on the "information superhighway". The ITU pointed out last year: "One thing is certain, developing countries cannot afford to wait and see what happens. They are already behind in various



With just one telephone for every 100 people, India has huge potential for growth in the provision of telecommunications services

measures of information penetration and the development gap is greater for advanced communication services than for basic telephone services." One illustration will suffice: in 1994 there were an estimated 48.9 users of the Internet, the international computer network, per 1,000 inhabitants of Sweden. The comparable number for Japan, where telephony is highly developed, was 4.3, and for India, which has massive improvements to make to its infrastructure, just 0.002. Advanced communications, the ITU says, can fundamentally alter the development paradigm. It comments: "Economic development has traditionally been associated with the movement from rural, agricultural societies to urban, industrial ones. Information infrastructures can accelerate this process. But they can also help countries skip whole stages of development... the building up of information industries can help developing countries participate in the information economy."

With many countries in the region seeking funds to build infrastructure and a growing number of privatisations planned in the telecoms sector, there are questions over whether there will be enough capital to satisfy these ambitions. In the middle of 1985 Asia's programme of telecoms flotations was forced onto the back burner as market conditions deteriorated. The flotation later in the year of Indonesia's national operator, PT Telkom, caused embarrassment when at the last moment the government was forced to halve the size of the offer and cut the price of the shares after poor support from US investors. According to Mr Andrew Harrington, Asia-Pacific analyst at Salomon Brothers, investors should take note of a number of new trends. He emphasises the importance of increasing liberalisation as governments try to accelerate the expansion of telecoms by attracting foreign capital: privatisations and other offerings that have already been sched-



Japan's highly-developed market is the subject of political wrangling

uled or are expected to be announced have a value greater than \$4bn a year for the next five years. The number of quoted telecoms companies, he says, has increased more than tenfold since 1990. He predicts the Asian market is on course for stronger growth: "Capital expenditure in telecoms in the Asia-Pacific region rose from \$20bn in 1983

to \$25bn in 1984. That represents a 25 per cent increase year on year. I expect this growth to continue." Japan, the richest country in the region, which has the largest telecoms market, is addressing questions of a different nature. It is slowly opening its market to foreign competitors. It continues to debate the wisdom of breaking up

### IN THIS SURVEY

- Mobile phones: staggering growth
- The Internet: a mosaic
- China: big problems, big potential
- Taiwan: deregulation ahead
- Hong Kong: a monopoly crumbles page 2
- Japan: NTT inertia
- Korea: opening up
- Australia: state of indecision
- New Zealand: the freest market page 3
- Singapore: grand ambitions
- Malaysia: a trio triumphs
- Pakistan: taking the self-off test page 4
- India: liberalisation progresses
- Indonesia: a market blooms
- Vietnam: rapid development
- Philippines: a model for others
- Thailand: piecemeal ethos succeeds page 5

Editorial production: Jonathan Guitrie  
Graphics: Robert Hutchison, Steven Bernard  
NTT. Earlier this year a government committee recommended that the giant should be split into several regional phone companies and one long-distance operator. NTT is fighting back strongly, arguing that if it is divided up there will be gaps in services for local businesses and a weakening of Japan's international competitiveness in telecoms research and development. It claims this would lead to stagnation of the country's information technology industry. It is the kind of dilemma which India, with one telephone for every 100 of its inhabitants, will not have face in the foreseeable future.



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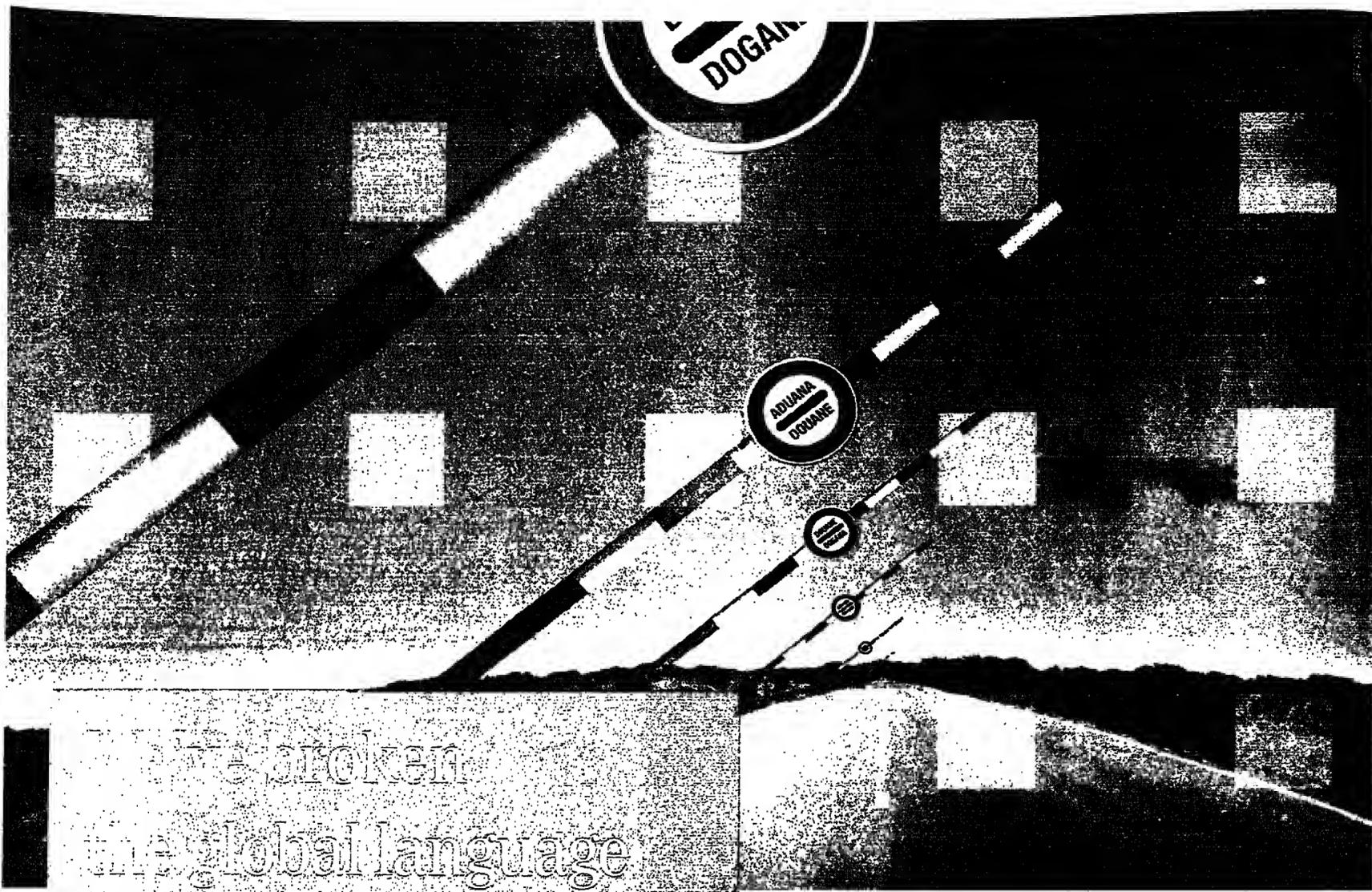
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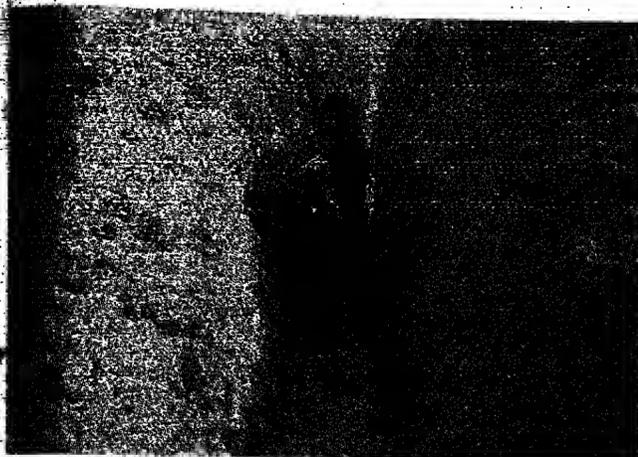


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# PAKISTAN



The economy is vulnerable to the vagaries of the cotton crops in Punjab and Sindh

## Improving, but could do better

Success in creating a lively democracy needs to be accompanied by continuing economic reform and by more vigorous measures to deal with crime, poverty and illiteracy, writes Victor Mallet

As Pakistan approaches the 50th anniversary of its violent birth in the partition from India in 1947, its leaders will be looking for national achievements to celebrate. They will find some economic and political successes - but not as many as Pakistanis would like.

Created as a homeland for the Muslims of the British Raj, Pakistan has been a lively democracy for the past eight years; it has a free press that does not hesitate to criticise the government of the day; and Benazir Bhutto, the prime minister, is pursuing the economic and financial liberalisation programme begun by Mohammad Nawaz Sharif, her predecessor. Indeed, the economy is growing at a respectable pace, with gross domestic product expect-

ed to rise 6 per cent in real terms this year.

But the list of the challenges facing Pakistan is longer than the catalogue of good news. The continuing confrontation with India, a hostility which still erupts in border skirmishes over the disputed territory of Kashmir, ensures that a third of the annual budget is spent on defence and that the army has an undue influence in politics.

The country's secret nuclear weapons programme - aimed at deterring India - is not only likely to have been expensive. It has also alienated the US, which was a powerful ally of Pakistan during the cold war and the Soviet occupation of neighbouring Afghanistan.

In Karachi, Pakistan's commercial and financial centre, gunmen bitter about the

authorities' treatment of the *mohajirs*, the Urdu-speakers who fled from what is now India at partition, have been engaged in a campaign to kill members of the security forces and disrupt the life and business of the city. The government has responded in kind, arresting and killing many of the gunmen, a strategy which has - for the time being - brought the problem under control.

But, elsewhere in the country, crime has increased, encouraged by the easy availability of weapons and the rise of drug-trafficking in the turbulent Afghan border region.

Pakistan's efforts to emulate the successful, export-oriented economies of south-east Asia are further hampered by its exceptionally low literacy rate of about 30 per cent, high popu-

lation growth of more than 3 per cent a year, the exclusion of women from many formal jobs, a low savings rate and corruption which is said to be as bad as it was in the days of martial law.

The economy remains heavily dependent on agriculture, and is vulnerable to the vagaries of the cotton crops in Punjab and Sindh that supply the textile factories of Lahore, Karachi and elsewhere.

As an old-fashioned, Islamic society, Pakistan is run largely by the landowners - known locally as "feudals" - who occupy most of the seats in parliament.

They are sophisticated consumers whose favourite status symbols include big, black Toyota Land Cruisers and maids from the Philippines (who cost more than Pakistani servants).

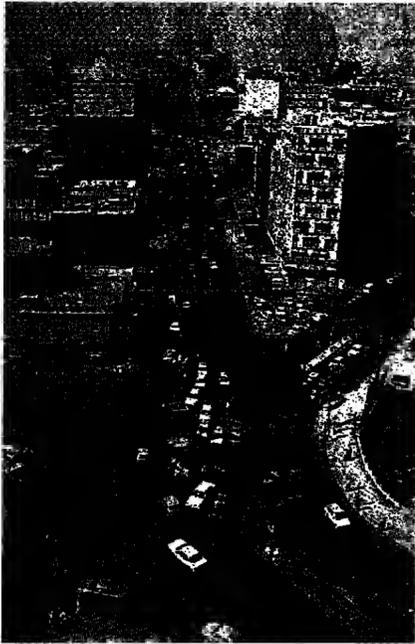
But many poor Pakistanis, including children, still find themselves toiling as bonded labourers in fields and carpet factories. The social action programme, aimed at improving education, sanitation and population control, has made a start in tackling the problems of the poor, but inevitably has a long way to go.

Ms Bhutto, the Oxford-educated prime minister and daughter of Zulfikar Ali Bhutto, the former leader executed by military dictator Gen Zia ul-Haq in 1979, was born into the class of wealthy landowners, as was her businessman husband, Asif Ali Zardari.

In this, her second time as prime minister at the head of the Pakistan People's Party founded by her father, she has won some credit for her efforts to repair relations with the US, although critics say the attempt to market Pakistan as a moderate Islamic bulwark against fundamentalism merely serves to antagonise neighbouring Iran and extremists in her own country.

After earlier disputes with both the Pakistani business community and the International Monetary Fund, her government has also earned grudging support for its tentative progress down the difficult path of fiscal discipline.

According to V.A. Jafarey, her economic adviser, the typical Pakistani businessman will



Karachi: Pakistan's commercial and financial centre

rarely mention such benefits of liberalisation as the lifting of foreign exchange controls. "He'll only talk about the things that hurt him," complains Mr Jafarey.

"The economic reform which the government has undertaken has been on a very wide scale. It has been rapid and there have been some genuine teething problems. But by and large the process has been welcomed and accepted, and has the support of both major parties."

Even her enemies accept that Ms Bhutto has been clever in her recent handling of Pakistan's chaotic style of patronage politics. Opponents in provincial governments have been moved aside; the justice system has been mobilised to hear dozens

of accusations of financial irregularities levelled at members of Mr Sharif's opposition Moslem League (they did the same to her when they were in power), and allies have been manoeuvred into influential positions.

Assuming the army remains contentedly in the background, and assuming the economy does not suffer a sudden reversal, Ms Bhutto is as secure as any Pakistani leader can expect to be in a region rife with ethnic and religious tensions.

Even some of those who have reservations about the government's merits are keen - for the sake of Pakistan's stability - that the administration should serve its full term until the next election due in 1998. "People are fed up with the governments coming in

and leaving," says Asma Jehangir, a lawyer and human rights activist in Lahore. "They want her to complete her term and a democratic system to continue. And they want to see the democratisation that goes on between Nawaz Sharif and Benazir."

Although Ms Bhutto has skillfully played the existing political system to consolidate her position, neither she nor her predecessors have been able to lay out clear economic and social goals for the long term or to move Pakistan towards a more stable form of democracy.

A common complaint of business leaders and ordinary Pakistanis is that almost everything in the country is "politicised", from the appointment of junior functionaries to the prosecution of those suspected of corruption. The accused, in other words, are often in the dock because they are opponents of the powers that be rather than because anyone is genuinely shocked by their crimes.

"If accountability was on a more balanced, independent basis, it would carry some credibility and perhaps reduce corruption," says Akram Zaki, former secretary-general of the Pakistan Foreign Office and a supporter of Mr Sharif.

Most law-making is by presidential ordinance (there were 127 last year) rather than by act of parliament. "We haven't matured our political system," says Sartaj Aziz, a former finance minister and secretary general of Mr Sharif's Moslem League. "Our institutions have become weaker."

Widespread support for the half-declared political ambitions of Imran Khan, the cricketing hero and philanthropist, is therefore regarded more as a cry of discontent with existing politicians than as a mandate for Mr Khan's as yet unknown political programme.

One of the big challenges facing this and future Pakistani governments is the need to adjust the political system so that it gives more weight to the views of the country's growing number of city-dwellers.

This grievance about representation is one of the causes of the violence in Karachi, where the urban *mohajirs* say

### IN THIS SURVEY



- The economy: relief rather than euphoria
- Privatisation: bearing hits, the worst is over
- Profiles: Muhammad Yaqub, tough-talking, hard-headed and honest central banker Page 2
- Stock exchange: foreign capital adds sparkle
- Oil and gas: the sector is humming with activity Page 3
- Power: moves to ease energy crunch
- Textiles: still lagging behind the world
- Cotton: bumper crops boost economy Page 4
- Agriculture: World Bank urges reforms
- Karachi port: cracks in the nation's lifeline
- Quertis: on the border of violence Page 5
- Karachi violence: conflict of ideas
- Politics: young democracy takes root Page 6

Editorial production: Roy Terry

they suffer discrimination at the hands of the local Sindhis.

Urban industries, meanwhile, say they are heavily burdened with taxes that make it difficult for them to expand and invest, while wealthy agriculturalists pay almost no tax at all.

Fettered by the agricultural lobby in parliament, the government has made only a modest start on bringing the feudal landlords into the tax net. Last year a mere Rs2.5m was raised in this way.

"Economic and political stability are both still taking root," says one Pakistani banker in Karachi. "We should keep going ahead. But it will not be easy. It will require a lot of political will, because some of the decisions will be politically expensive."

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